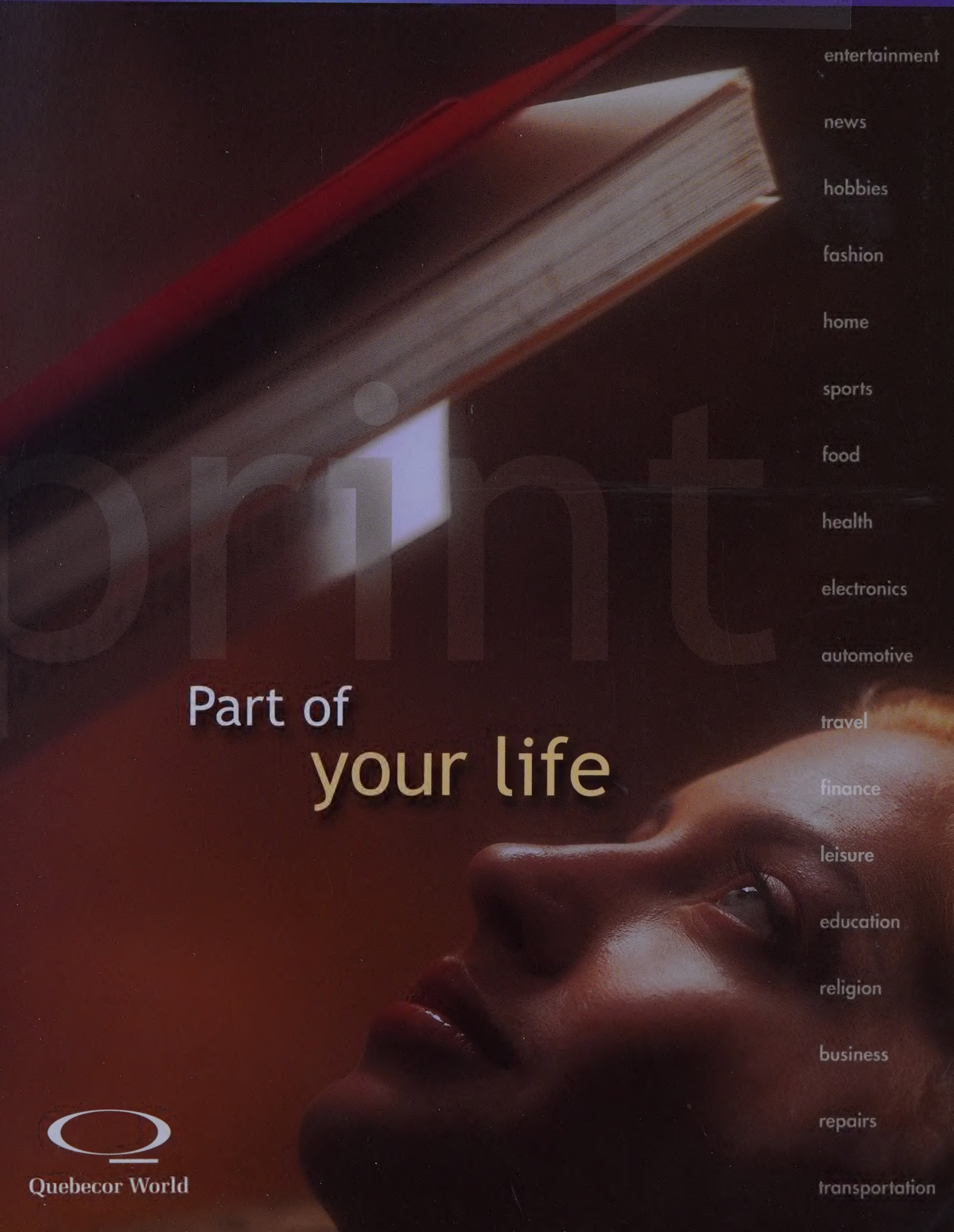
ANNUAL REPORT **2001** PT I



Part of your life

entertainment

news

hobbies

fashion

home

sports

food

health

electronics

automotive

travel

finance

leisure

education

religion

business

repairs

transportation

Quebecor World

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Quebecor World Inc. (NYSE, TSE: IQW) is the largest print media services company in the world. The Company is a leader in most of its product categories, which include magazines, inserts and circulars, books, catalogs, specialty printing and direct mail, directories, digital pre-media, logistics, mail list technologies and other value-added services. Approximately 40,000 employees support the Quebecor World network of 160-plus printing and related facilities located in the United States, Canada, Brazil, France, the United Kingdom, Spain, Austria, Sweden, Switzerland, Finland, Chile, Argentina, Peru, Colombia, Mexico and India.

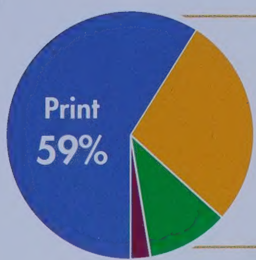
Part of your life

The daily lives of hundreds of millions of people around the world are touched by the products of Quebecor World.

Print is like oxygen. It is an essential part of our everyday life. It serves many different functions—informing, selling, documenting, entertaining and educating.

Indeed, modern life for all of us is dependent upon the magazines, books, directories, retail inserts, direct mail, catalogs and other printed products that Quebecor World's approximately 40,000 employees produce around-the-clock in 160-plus facilities on four continents.

Print is the number one choice of advertisers. In Quebecor World's available markets, more money is spent on print advertising than on all other forms of advertising combined.



Advertising Expenditures in North America, Latin America and Europe, 2001 (in billions of U.S. dollars)

Print	193	Radio/Outdoor	35
Television	91	Internet	8
		Total	**327**

Source: Universal McCann, Paul Kagan Associates, Zenith Media, Canadian Marketing Association, European Mail Order Trade Association, American Business Association, Wilkofsky Gruen Associates

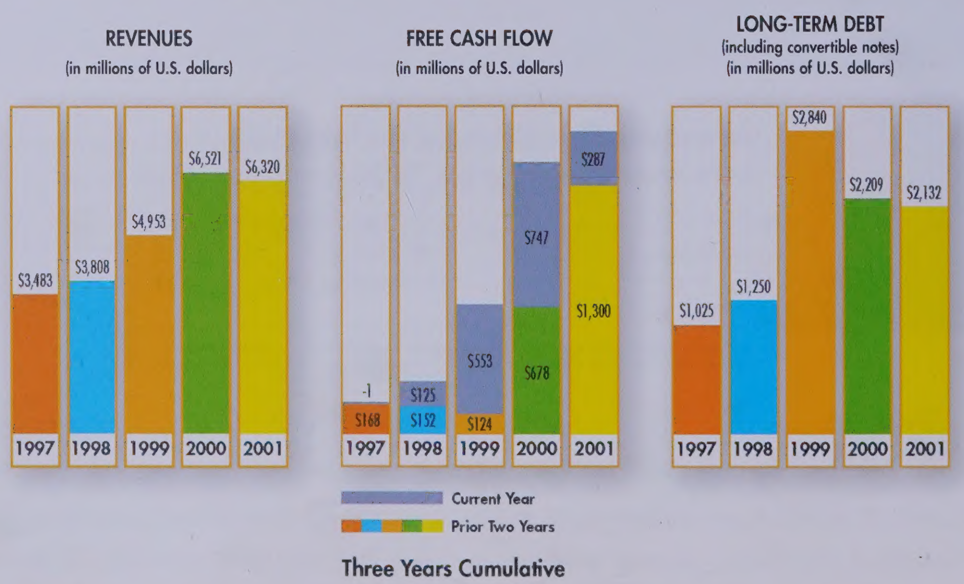
Quebecor World, as the only global commercial printer and a leader in technological innovation, is uniquely positioned to win by leveraging its size to become the most efficient provider of flexible, integrated print media solutions to all our customers, beginning with pre-media all the way until the printed piece gets into the consumers' hands.

FINANCIAL Highlights

(In millions of U.S. dollars, except per share data)	2001	% Change	2000	% Change	1999
Consolidated Results					
Revenues	**$ 6,320.1**	(3)	$ 6,521.1	32	$ 4,952.5
Operating income *	**617.8**	(15)	724.8	53	472.5
Net income	**22.4**		295.4		77.5
Cash provided from operating activities	**576.5**	(37)	917.8	29	710.1
Free cash flow from operations **	**287.2**	(62)	747.3	35	552.6
Operating margin *	**9.8 %**		11.1 %		9.5 %
Financial Position					
Working capital	**$ (194.5)**		$ (66.5)		$ 72.5
Property, plant and equipment	**2,634.0**		2,683.0		2,895.3
Total assets	**6,149.9**		6,484.7		6,873.1
Long-term debt (including convertible notes)	**2,132.2**		2,208.7		2,839.9
Debt-to-capitalization	**46:54**		47:53		55:45
Per Share Data					
Earnings before goodwill amortization (diluted) *	**$ 1.99**	(13)	$ 2.30	28	$ 1.80
Dividends	**$ 0.46**	39	$ 0.33	18	$ 0.28
Book value	**$ 14.39**	(7)	$ 15.47	8	$ 14.26

* Before restructuring and other special charges.

** Cash provided from operating activities, less capital expenditures net of proceeds from disposals, and preferred share dividends.

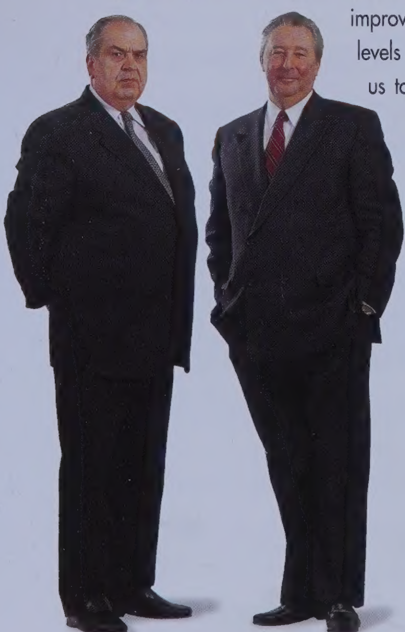


MESSAGE TO Shareholders

Strong Performance in Extraordinary Times

By anyone's measure, 2001 was an extraordinary year. It was a year when things changed. It was a year that made people, communities and companies reassess their methods and their values. Your Company was a part of that process. Following a decade of record earnings and revenues and two strong quarters in 2001, we abruptly faced an economy and a series of events to tax our resourcefulness as never before. Up until and including the month of August, we were on track for record earnings, but September 11th changed everything. An already softening U.S. economy was driven into recession, resulting in the worst year-over-year advertising drop in a decade. We reacted as we have in the past when faced with serious challenges by drawing upon our past experiences and marshaling our strengths to manage through difficult economic times.

In October, we announced a restructuring plan that draws upon what we learned with the highly successful integration of Quebecor Printing and World Color. The plan focuses on our strategy of having fewer, but larger, more specialized plants, and it will have only a minimal effect on aggregate production capacity. Once complete, the plan is expected to result in earnings improvement of approximately $45 million and add significantly to our operating leverage when the economy improves. We will achieve new levels of efficiency that will allow us to expand the margin gap between ourselves and the competition.



In 2001, Quebecor World's revenues and margins were down from a record year in 2000, but few companies have been unscathed by the economic slowdown. Revenues were $6.3 billion, compared to $6.5 billion in 2000. Before restructuring and other special charges, operating income was $617.8 million, compared with $724.8 million last year, and diluted earnings per share were $1.58 per share, compared with $1.90 per share a year earlier.

The challenges have been greatest in the United States, where we derive more than 65 percent of our revenues. Our European operations have also been affected by the global slowdown, particularly in France, where there has been a drop-off in advertising and volumes. However, our Latin American business continues to grow. For the full year, before restructuring and other charges, operating income increased 60 percent.

Our diversified product offering, our global capabilities and our strategy of aligning ourselves with the leading publishers, retailers and content providers have allowed us to continue to deliver strong results even in a poor economy. Even though the drop in volumes occurred at the busiest time of year, we were still able to maintain our industry-leading operating margin, before restructuring and other charges, of 9.8 percent. Free cash flow remained strong at $287 million this year, and our debt-to-capitalization ratio was at 46:54 at the end of 2001. The slower economy is expected to provide opportunities for a well managed, growth-oriented company such as ours to increase its market share and also to expand through acquisitions once conditions stabilize.

Our strength is our people, in particular their ability to respond swiftly to both adversity and opportunity. During the past year, our employees responded with compassion and a sense of urgency following the September 11th events to contribute to the relief efforts and to the business at hand.

The year 2001 was an extraordinary one. As we have said before, we will build on our successes and learn from our mistakes. The necessary adjustments are being made to forge an even healthier company that will be poised to leverage all its assets when the economy recovers. Our strategy and business plan remain valid. We are on course.

Jean Neveu,
Chairman of the Board

Charles G. Cavell,
President and Chief Executive Officer

OUR STRATEGIC PLAN

Still on Course

As I review last year's Annual Report, it is gratifying to see that essentially the only thing that has changed is the economy. Our enthusiasm about where the Company is going is as strong as ever. Our strategy is effectively the same and we continue to be on course.

Even in this difficult market, we continue to generate significant free cash flow, which can be used to grow the Company once conditions stabilize.

At this juncture, I thought I would talk about who we are and where we are going. Some of you may have forgotten, some may never have known.

Charles G. Cavell,
President and Chief Executive Officer

Print continues to be the dominant medium for advertising. That is another constant. More money is spent on print advertising than on all other forms of advertising combined!

Who we are – Quebecor World is the global leader in providing flexible, integrated print solutions. This is what distinguishes us from the competition. No one offers the global platform that we have, and being a leader means being not only the biggest, but also the best. Our flexibility stems from our wide product diversity, which is unmatched in the industry. As an integrated solutions provider, we know how to put our capabilities together so that 1+1=3. We are not just selling printing at the lowest cost, but getting to the root of what customers are trying to do and providing them with the best print solution to meet their objectives.

Solutions provider means getting to the root of what customers are trying to do and providing them with the best print solution to meet their objectives.

To our shareholders, we are also a growth company. Your Company is the global industry consolidator. Quebecor World was built through acquisitions—some 85 of them—and we have proven that this strategy works. Prior to 2001, our revenues and earnings grew an average of 20 percent over a 10-year period. Not very many companies can report such consistent growth.

To employees, we are becoming more and more the employer of choice in this industry and on every continent where we operate. We began as a family business, and despite our size we retain many of the advantages of a family-run business. Our deeply rooted entrepreneurial spirit has attracted the most capable people who thrive in a results-oriented environment. This culture has also made it easier for employees from newly acquired companies to join our team and this has been a critical factor that has allowed us to grow.

OUR STRATEGIC PLAN

Still on Course

Where we are going – Our mission is to continue to be the best print media solutions provider on the planet. All our resources are focused on doing just that, making print an even better medium for our customers. This includes the offering of innovative, integrated print solutions that address our customers' evolving needs. It also includes all of our initiatives to improve the product supply chain in terms of both cost and time, beginning with pre-press and the procurement of materials right up until the printed product reaches the end users' hands. It also includes building upon our global platform to serve customers as they expand beyond their traditional borders.

Print continues to be the dominant medium for advertising. That is another constant. More money is spent on print advertising than on all other forms of advertising combined! Print is everywhere. In fact, to me, it's like oxygen because you can't live without it. It would be difficult, if not impossible, to find an industry or household in the developed world that doesn't rely on some kind of printed product. Technology is allowing us to customize our print products, offer smaller print runs more economically and produce different versions of the same print product to satisfy a wide range of end users. For example, we typically print at least 10 versions of the *Successories* catalog and around 100 versions of *Good Housekeeping* magazine. In short, we are making print an even more effective vehicle for advertisers to reach their target markets.

The current recession is probably creating more opportunities for us than ever existed before.

The current recession is probably creating more opportunities for us than ever existed before. The issue we have is visibility. How do we determine the value of an acquisition in this uncertain market? We are certainly prepared for growth from an internal perspective. Our balance sheet is healthy. We continue to generate significant free cash flow even in this difficult market. Our management team is second to none in the industry. Everything is in place. The question is, "What is the best way to apply our free cash flow in the current market environment?"

The larger scale strategic acquisitions, the ones that will allow us to grow our business at historical levels, will have to wait until industry conditions stabilize.

One of our options would be to continue to pay down debt. Another option would be to buy back stock, which we did last year. Our preferred option would be to continue to grow our business through acquisition. But until visibility improves, the only types of acquisitions we are likely to consider are ones with printer-publishers that would come with a guaranteed volume of printing. A perfect example of this is our deal, pending regulatory approval, with Hachette Filipacchi Medias, in which we acquired their European printing assets along with a long-term

printing contract to print many of their magazines in France. If this same opportunity were to arise today, we would go forward with it, even in this uncertain market. Niche acquisitions, which are smaller in size and often funded internally, might also be a possibility, particularly outside North America. However, the larger scale strategic acquisitions, the ones that will allow us to grow our business at historical levels, will have to wait until industry conditions stabilize. Your Company is just too disciplined and too conservative to go there. In the meantime, we will amass cash in our acquisition "war chest," if necessary, rather than take inappropriate risk.

Economists are predicting a recovery beginning sometime in the latter half of 2002. We can live with that. It gives us a window of opportunity to carry out our restructuring plan during a less busy period. We also believe that the longer and deeper the recession, the more acquisition opportunities there will be. Other companies don't enjoy the same product and geographic diversity that are allowing us to weather the storm.

As the largest and most efficient player in the industry, representing less than 10 percent of the addressable market in the U.S. and less than five percent elsewhere, we are poised for further growth. Our balance sheet is strong and our restructuring plan will further reduce our cost base to provide better returns once the economy improves. Print remains the cornerstone of communications and we know what to do to make print an even better medium for our customers.

Acquisitions in 2001

Even in a difficult market with low visibility, there are some types of acquisitions that we will always consider; for instance, when the acquisition comes with a major long-term printing contract, as was the case with most of the acquisitions made in 2001:

Hachette Filipacchi Medias – In Europe, as part of our strategy to partner with the leading publishers, Quebecor World signed a long-term agreement to print many of Hachette's magazines in France. Pending regulatory approval, Quebecor World will purchase the European printing assets of Hachette, significantly enhancing our European platform.

Grupo Serla – In Mexico, we purchased the manufacturing assets of Grupo Serla to provide added capacity to print telephone directories for ADSA, a subsidiary of Telmex, Mexico's largest telecommunications company. We are now the number one printer of directories in Mexico.

Grafica Melhoramentos S.A. – The acquisition of Grafica Melhoramentos in Sao Paulo, Brazil, gave us the capacity to expand our book and directory platform in Latin America.

Retail Printing Corporation – The acquisition of Retail Printing Corporation in the U.S. provided an excellent fit with our North American retail platform to better serve regional and national customers with long-run and multi-versioning services.

PART OF YOUR LIFE Magazines

Targeting consumers through their interests

From fashion to photography and mainstream news to gardening, magazines reflect our hobbies, interests and passions. They are informative, entertaining, portable and affordable. Advertisers can select an editorial environment that best positions their marketing message to a receptive audience, while readers have the opportunity to involve themselves in the informative content they need or the entertainment they enjoy.

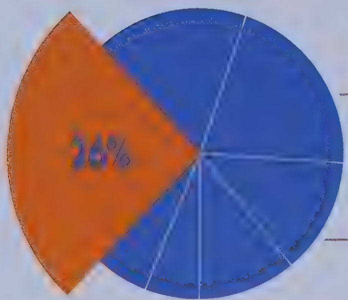
entertainment

news

hobbies

▶▶ Our Strengths – Magazines

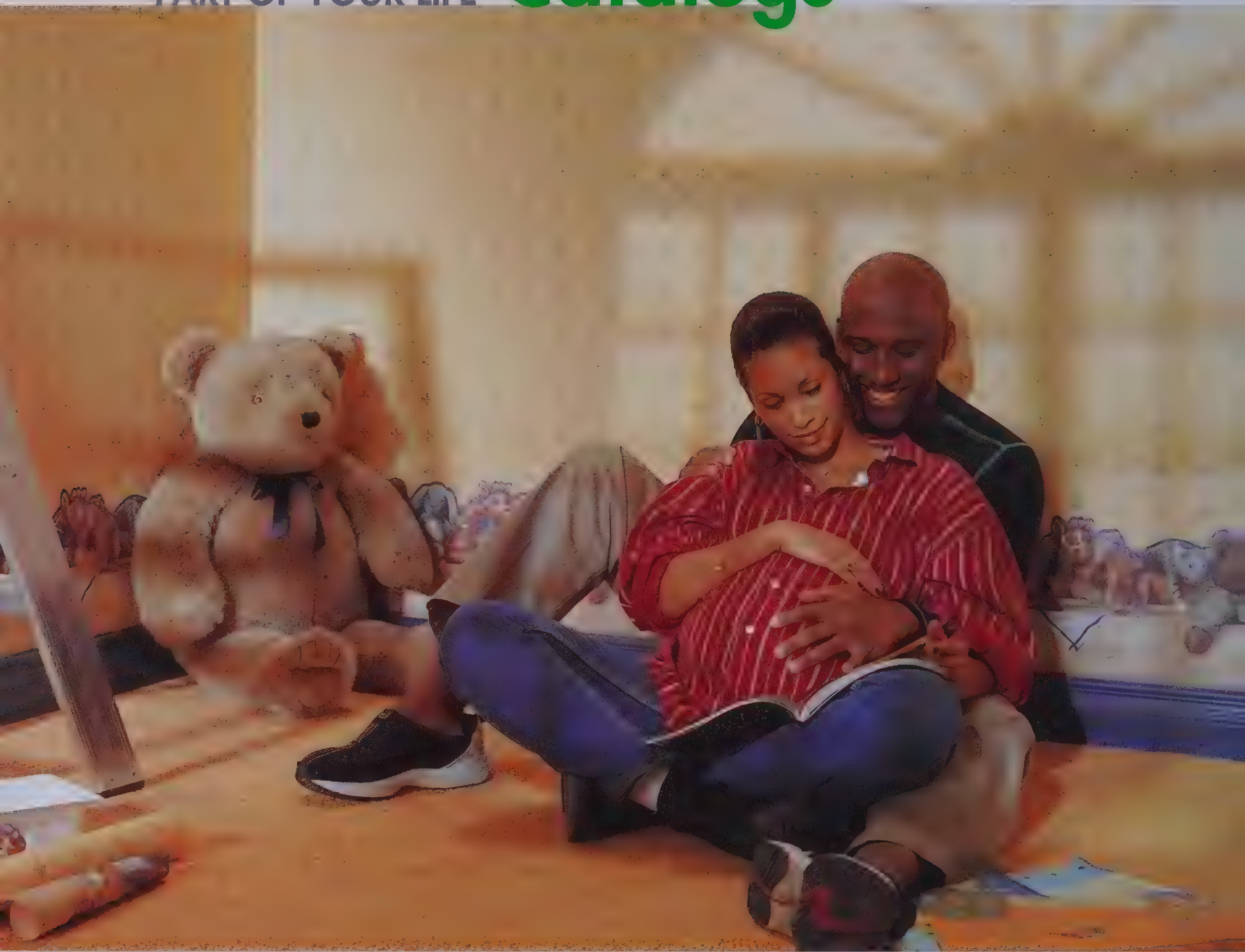
- Leading printer of consumer magazines, utilizing the largest, most diverse, flexible manufacturing platform in North America.
- Most efficient producer of high-quality both long-run and short-run titles in specialized facilities.
- Combination of offset and gravure plants well equipped to produce geographic and demographic versions.
- Our global reach allows us to serve international customers on more than one continent.
- We have both the experience and the expertise in producing print runs in the thousands to the multimillions.
- Quebecor World prints for the Top 5 U.S. magazine publishers and for 75 percent of the Top 25 U.S. magazine publishers ranked by revenue.
- We print 46 percent of the Top 125 U.S. magazines ranked by circulation.
- Awarded 40 percent of the industry's Top 20 most notable new starts.
- Produce over five billion magazines annually, representing over 1,000 titles, in North America, Europe and Latin America.



Magazines: Percentage of QW's Revenue

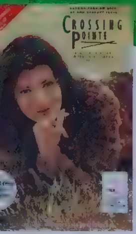
$1,660,230,000 in 2001

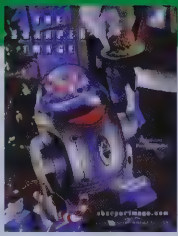
PART OF YOUR LIFE Catalogs

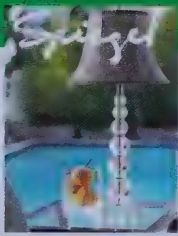


▸▸ A store's merchandise at your fingertips

The appeal and convenience of catalog browsing is almost irresistible to people of all ages and backgrounds. Catalogs continue to be a cost-effective vehicle to drive customers to a retail store, to an e-commerce site, or to a direct-sale product, and are therefore a critical component of any successful multichannel marketing effort. For those companies utilizing a catalog as their only means to sell products, their catalog is in essence their "store," which can be readily "right-sized," either up or down, in response to changing market conditions.

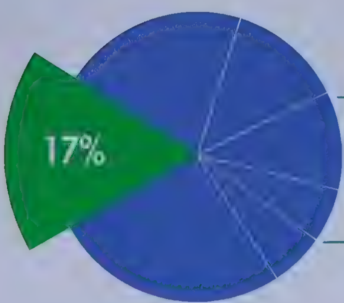






▸▸ Our Strengths – Catalogs

- Leading catalog printer, operating the largest, most diverse manufacturing platform in North America, with unmatched flexibility.
- We offer extensive geodemographic saddle-stitch and perfect binding, equipped with sophisticated personalization capabilities.
- We offer "one-stop shopping" for pre-media, order form, mail list and logistics services to complement printing and binding.
- Half of our Top 20 accounts rank among the Top 100 catalogers in the U.S.
- As our customers expand into new markets, we are there to serve them with our global platform. Already, we print catalogs for many of our customers on more than one continent.



Catalogs: Percentage of QW's Revenue

$1,054,907,000 in 2001

fashion

home

sports

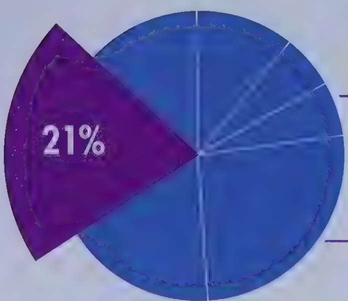
PART OF YOUR LIFE
Retail

Drawing customers into retail stores

Retail inserts typically have a greater impact on in-store sales than radio or television advertisements. They offer local and national advertisers a low-cost means of reaching a great number of potential customers via newspapers, community papers, periodicals and direct distribution. Retail inserts are particularly effective for retailers with broad consumer appeal, such as grocery chains, pharmacies and hardware stores.

▸▸ Our Strengths – Retail and Sunday Magazines

- Our extensive North American network of offset and rotogravure presses makes us the leader in the national insert and Sunday magazine markets.
- We are the number one supplier to the North American Sunday magazine industry, and our North American customer list includes almost every major national retailer.
- We offer the most diverse product offering in the retail industry, thanks to our combination of rotogravure, short and long cut-off offset presses and our unique in-line finishing capabilities. For example, in addition to the standard tabloids, broadsheets and flexies, we are also able to offer tabloids in two-page increments, coupon strips, spine wraps and coupon books.
- We can meet both short-run and long-run customer requirements on an international, national and regional basis.
- The runs we receive range from several thousand up to 50 million.



Retail and Sunday Magazines: Percentage of QW's Revenue
$1,306,771,000 in 2001

food

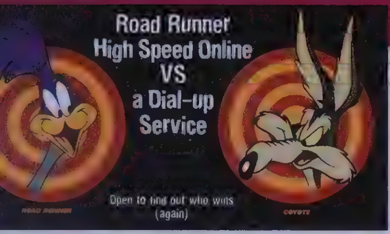
health

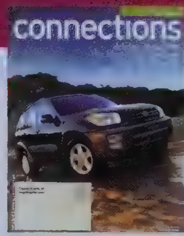
electronics

Direct Mail

Advertising at its most targeted

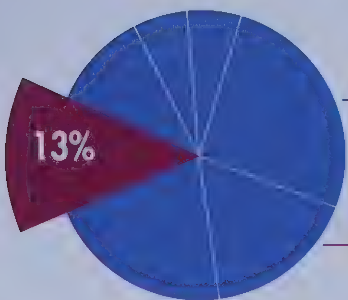
When we open our mail and find something that appeals to our individual desires, it is like receiving a gift. With advances in database management and customization technology, direct mail pieces are becoming increasingly targeted to an individual's interests, geographic location or lifestyle. Better targeting means better consumer response rates, which accounts for direct mail being one of the fastest growing segments in the print media services industry.





▸▸ Our Strengths – Specialty Printing/Direct Mail

- Unparalleled in-line and off-line finishing capabilities allow us to produce complex personalized direct mail packages that add impact and increase response rates.
- We combine high-quality printing with sophisticated Scitex imaging, enabling our most demanding print customers to take advantage of one-to-one direct marketing techniques.
- With the use of our Smart Binding technology, we not only can provide select binding along demographic and geographic guidelines, but we can also help our customers create unique versions of a publication for each person in their database. Printed signatures can be selected based on the recipient's interests, geographic location or lifestyle.
- Our platform of mega-facilities across the country can handle pre-press, printing, personalization, finishing and mailing under one roof.
- Short-run digital print, which makes it possible for our customers to apply data-driven personalization to short print runs of less than 1,000 pieces.



Specialty Printing/Direct Mail:
Percentage of QW's Revenue
$790,495,000 in 2001

automotive

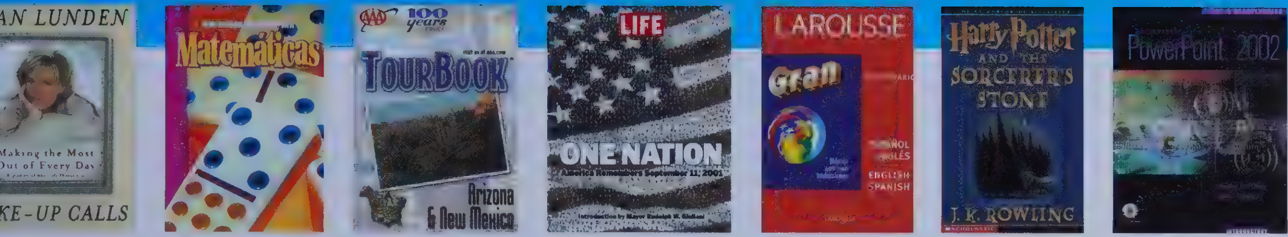
travel

finance

Books

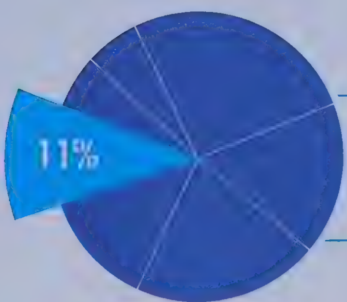
The choice for learning and leisure

People have a special and enduring bond with books, and they are the fundamental learning tool. Reading for leisure continues to increase, particularly as more people enter the prime book reading 35-to-64-year-old age group. Even with children of the computer generation, leisure reading remains popular, as the worldwide Harry Potter and the more recent *Lord of the Rings* phenomena have demonstrated.



Our Strengths – Books

- The world leader in book manufacturing, with plants in North America, Latin America and Europe.
- We have the capabilities to print, bind and distribute books in any format almost anywhere in the world.
- Our unsurpassed printing options include web offset, sheet-fed offset and digital printing. Quebecor World is an innovator in the development and application of digital printing technology.
- Our full range of binding capabilities can meet the needs of any publisher.
- Our book manufacturing clients include all of the leading international publishers.
- The market leader in providing quality manufacturing services to publishers of consumer, educational, professional, reference, religious and specialty books.
- Our global reach extends beyond North America to Spain, Mexico, Colombia, Peru and Chile. Our plants in Latin America are able to match Asian producers on price while offering faster delivery to the U.S. market.



Books: Percentage of QW's Revenue

$718,019,000 in 2001

leisure

education

religion

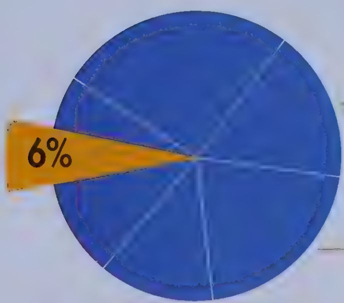
PART OF YOUR LIFE **Directories**

To solve any emergency, large or small...

Need a plumber? A roofer? Or simply a restaurant? Your local telephone directory can help you solve any emergency, large or small. Virtually every household has at least one, and in many cases, two or three directories on hand. Directories are also vital to business-to-business communications and are still the most frequently referenced medium used to connect buyers with sellers.

Our Strengths – Directories

- We are one of the largest printers of directories in North America, where we print more than 180 million directories a year.
- We are a major supplier to all of the leading directory publishers in North America.
- All of our North American plants offer the speed and convenience of computer-to-plate capabilities.
- Significant investments in heat-set presses allow us to provide higher quality, color and greater product longevity. We recently installed the world's largest offset press to satisfy the customer's requirement for high throughput capabilities and efficiencies.
- We provide a wide range of value-added product enhancements, such as tip-ons (advertising glued to the front of the directory), coupons, mass transit schedules, city maps, stadium seating charts, as well as special guides for restaurants, medical services and Internet sites.
- In Latin America, we now have five facilities in four countries servicing the growing demand for directories as telephone companies are privatized and more and more people are provided with communications services.



Directories: Percentage of QW's Revenue

$403,948,000 in 2001

business

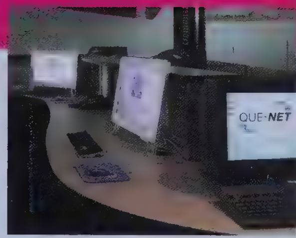
repairs

transportation

VALUE-ADDED Services

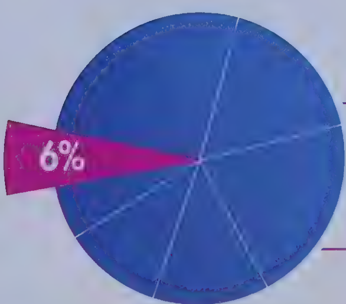
Shaping the future of print

The role of print media companies is rapidly expanding toward "one-stop shopping," from concept and design through to list management and door-to-door delivery. Quebecor World's Que-Net Media™ offers state-of-the-art pre-media and other digital services specifically tailored to our customers' needs.



▸▸ Our Strengths – Que-Net Media™

- Que-Net Media™ provides an extensive range of digital services and technical solutions to help customers simultaneously publish and promote in multiple media. These services include a full array of capabilities, including creative, photography, digital pre-press, color management, content management, automated publishing and workflow solutions.
- The Que-Net Media™ facilities are linked to Quebecor World's printing plants through the industry's largest virtual private network. Que-Net Media™ offers customers a comprehensive platform for print and web-based communications needs.
- A series of application services was developed for content management, automated publishing and workflow solutions. Unique to the industry, these products are customized for the market segments they serve, including book, catalog, magazine, retail and commercial. By shortening time to market and improving production efficiencies, these tools improve business performance for Que-Net Media™ customers.
- Que-Net Media™ designed and built four Technology Solutions Centers in Chicago, Los Angeles, New York and Toronto. These Centers serve two primary purposes: to showcase Que-Net Media™ technology products; and to train and educate customers in multichannel production techniques for digital workflow integration.
- Our ability to bring people and technology together is unsurpassed in the industry and allows Que-Net Media™ to provide Best of Class pre-media services, technology solutions and digital information management.



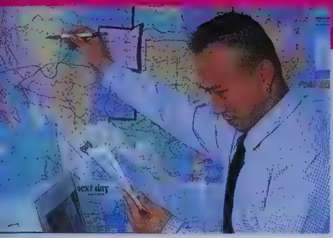
Que-Net Media™ and Logistics:
Percentage of QW's Revenue
$385,764,000 in 2001

entertainment
news
hobbies
fashion
home
sports
food
health
electronics
automotive
travel
finance
leisure
education
religion
business
repairs
transportation

VALUE-ADDED Services

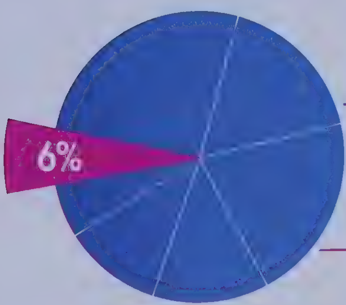
▸▸ Complete logistics solutions one customer at a time

A magazine with important news or time-sensitive advertising is considerably disadvantaged if it arrives at the newsstand after the competition. A catalog that is delivered too early or too late can cost customers a significant amount of money and a retail insert that does not arrive at the newspaper in time to be inserted is worthless. Delivering the final printed product to individual end users as fast and efficiently as possible is vital in today's highly competitive global marketplace. That's why Quebecor World Logistics is such an important part of what we offer to our customers.



Our Strengths – Quebecor World Logistics

- We are an industry leader in logistics services, offering complete, customized door-to-door distribution planning management, transportation, delivery and tracking solutions to our customers.
- We provide among the lowest total delivery costs. We use our scale to consolidate volumes at our seven consolidation centers and our technological advantages to efficiently plan all deliveries for the lowest cost, whether this be through the postal system, newsstands or insertion in more than 1,000 newspapers.
- We have the best on-time delivery record in the industry. We can meet any customer's delivery needs, ranging from the highly expedited nature of a weekly magazine delivery to the pinpoint regional targeting of a catalog or direct mail program.
- We are the largest customer by volume of the U.S. Postal Service.
- We provide near real-time reporting for all deliveries, available to customers via e-mail or Internet. Additionally, for product being distributed by mail, we can offer tracking into and through the U.S. Postal Service to determine when the magazines, catalogs and direct mail pieces are actually being processed and delivered.



Que-Net Media™ and Logistics: Percentage of QW's Revenue
$385,764,000 in 2001

entertainment
news
hobbies
fashion
home
sports
food
health
electronics
automotive
travel
finance
leisure
education
religion
business
repairs
transportation

OUR Competitive Edge

CREATING BETTER PRINT SOLUTIONS

Defining our competitive edge means looking at ourselves within the context of the markets we serve. What's going on in our customers' businesses? What do they require of their suppliers in order for them to be successful? In other words, how can Quebecor World offer better solutions that solve our customers' needs?

A Multichannel World

Customers in all our core product segments, whether magazines, catalogs, retail inserts, specialty printing/direct mail, books or directories, are adapting to a multichannel world. A magazine publisher with print products may also have a website, television stations or newspapers. An implication of this trend is that we must work with customers to develop innovative print products to complement other channels of communications. We might develop innovative direct mail pieces to drive traffic to e-commerce sites, for example. We can also play an important role helping our customers adapt to the rapidly evolving multimedia world through Que-Net Media™.

Targeted Communications

Another important trend is the increasing customization and targeting of information that technology allows and consumers demand. This translates to the introduction of new titles and many different versions of the same magazine, catalog, retail insert or telephone directory. These products require shorter runs, personalized variable-content printing and precisely targeted distribution. Quebecor World is uniquely positioned to serve these needs, given our unparalleled technological capabilities. When it comes to flexibility, especially with respect to producing different product formats and sizes, there is not a single printer on the planet that has the flexibility and options we have. This is a pure function of our size and how we have evolved through acquisitions.

Consolidation and Globalization

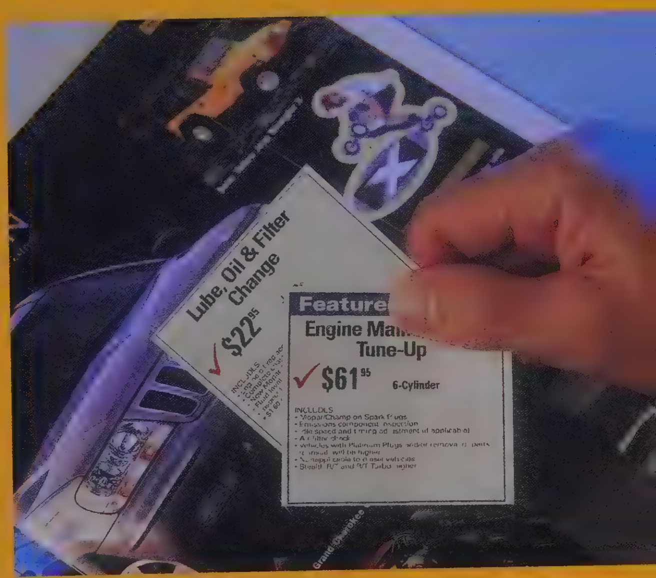
A third major trend is that our customers are consolidating, merging and becoming more global. A growing number of customers need partners that can serve

An Integrated Print Solution: Partnering with Automotive Manufacturers

One way Quebecor World combines our tools for customers is our partnership with automobile manufacturers. We help them strengthen the bond between car owners and dealerships. This "integrated print solution" comes in the form of a customized magazine sent to vehicle owners every quarter. Each magazine is unique. In addition to having the owner's name, the magazine reflects the owner's individual recreational interests and particular dealership location. This information is determined through a survey in the magazine that effectively determines the owner's vehicle needs as well. In the case of Toyota, the magazine might include articles on as many as 12 different subjects, such as golf, fishing, biking and canoeing.

How was this highly customized and targeted print solution made cost effective on such a large scale? The answer was the long-run printing capabilities of Quebecor World's Magazine/Catalog group combined with the customization capabilities of its Specialty/Direct group. Quebecor World is now looking to provide this application to customers in other sectors, such as consumer goods.

A magazine like no other – Each of these automotive magazines is created to reflect individual recreational interests. Discount coupons encourage vehicle owners to return for servicing. In this way, the automobile manufacturer enhances the dealer/owner relationship and increases the chances for further business.



them on a national and global basis. No other printer can match us in terms of the reach and scale of our global platform. We are also the only printer with a pan-American, pan-European and Latin American print network. We can get the product to end users faster and more cost effectively.

Focus on Total System Costs

Our customers want not only the best print solutions, but also the lowest "total system costs." This includes everything from pre-press and getting the images printed on the page all the way through to getting the product into the end users' hands. Printing and binding represent a relatively small proportion—usually from 10 to 30 percent—of total system costs. However, as the largest player in the industry, we are one of the few that can really wield our size to provide cost efficiencies, not only in production, but also in areas such as materials procurement and logistics. Quebecor World strips costs from the entire value chain.

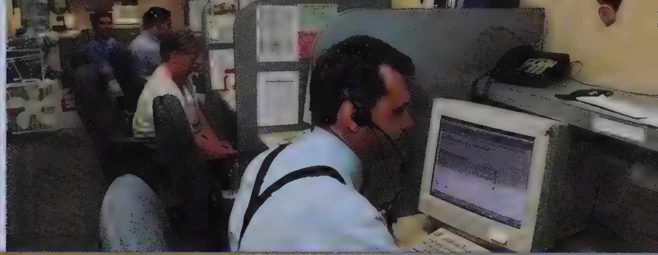
Of course, the printing business is not just a cost game. Quebecor World wins by providing flexible, integrated print solutions that get to the root of our customers' communications needs. We not only have the biggest "toolbox" in the industry to fulfill these needs, but also a unique ability to link our capabilities together to create better print solutions in partnership with our customers.

INTERNET 2.0: THE NEW ON-LINE REALITY

Quebecor World links customers, suppliers and employees in a virtual partnership that reduces costs, improves service and saves time.

When Darden Restaurants wants to discover the top-performing locations among their 1,000-plus Red Lobster and Olive Garden restaurants, they open a web browser and type in "InfoCenter," click on a few links and, within seconds, know everything concerning product performance, pricing, regional exceptions and even exact menu copy. They can also review which food items customers prefer, project guest counts and find out whether or not new menus are on order. InfoCenter, which evolved from an application that enabled Darden to streamline the creation of multiple versions of their menus, saves Darden unnecessary printing fees, inventory, waste and input time. Still, Darden didn't create InfoCenter; we did.

InfoCenter exemplifies the way Quebecor World embraces on-line solutions that cut costs and improve efficiency for our customers, suppliers and employees. We join other insightful companies that buy more



than 30 percent of their direct purchases on-line, remain open to collaborating with suppliers and continually improve internal processes with electronic solutions. Together, we're all creating a new on-line reality that Quebecor World calls Internet 2.0.

Internet 2.0 is based on more than simple expenditure; adaptation is also crucial. As Andrew Whinston, the University of Texas professor who has authored five popular books about e-commerce, puts it: "companies that invest in digitizing the supply chain all the way from the consumer to the supplier are the ones who benefit the most from trends in electronic commerce."

We agree with this analysis. Internet 2.0 improves everything we do, whether on the sell side, buy side or inside.

Internet 2.0 gives our customers peace of mind as they track their items through our plant, through the U.S. Postal System and directly to the consumer household.

Linking to Customers for Mutual Advantage

On the sell side, Internet 2.0 enables us to build real-time links with our customers to save time, money and headaches. We are constantly developing new interfaces with the procurement platforms our customers use so that everything possible moves through our system electronically, from order, specification, estimates and shipping to final invoice. Our interface to Ariba, for instance, enables AT&T wireless offices to order brochures and other print material directly through systems they've already set up.

Internet 2.0 gives our customers peace of mind as they track their items through our plant, through the U.S. Postal System and directly to the consumer household. We even notify them when deliveries might be interrupted because of transportation strikes or weather-related slowdowns.

Collaborating with Suppliers Means Savings

On the buy side, Internet 2.0 allows all purchases, whether direct or indirect, to take advantage of economies of scale. For direct purchases, such as paper and ink, we have a central purchasing exchange in Fribourg, Switzerland. Our exchange shortens purchase-order lead time, eliminates long distance phone calls, standardizes invoices and payments and tightens the product development cycle.

For indirect purchases, we join virtual trading communities. If employees need pencils, they place an order on the Internet Capital Group Commerce (ICGC) website along with employees from other member companies around the world. The system enables supplies to be purchased in bulk at the best possible price.

Internal Changes Save Time

On the inside, Internet 2.0 saves time. It's led to improvements at every level, from the application that allows employees to review and update personal information themselves to our newest time-saver that enables managers to profile customers quickly and easily.

OUR Competitive Edge

Customers doing business with us on more than one continent reached $700 million last year. These sales alone would have made us the 13th largest print media services company in North America.

THE TANGIBLE BENEFITS OF OUR GLOBAL REACH

▸▸ As our customers consolidate and become more global, Quebecor World is the only print media services company that can offer them a global network of plants.

Here are just a few ways our global strength can work for you. For customers, it is access to a platform of 160 manufacturing and related facilities in 16 countries with a combined market potential of more than 1.2 billion people. It is the knowledge and confidence of expanding into new markets with a trusted supplier firmly established in that market, a supplier that can help you overcome the cultural and logistic challenges you often face when opening up new frontiers. For shareholders, it is the benefit of ownership in a geographically diversified company that takes advantage of significant cross-selling opportunities, leverages its global purchasing power and is less dependent on any one economy. For employees, it is an opportunity to grow and develop in a multilingual and multicultural company that values diversity.

In 2001, our "one-stop global shopping" resulted in more than $700 million in business. Customers such as Office Depot, Scholastic, IKEA, Hachette, Avon, Costco, Carrefour and Santillana do business with us on more than one continent. This business is expected to continue to grow significantly. As our customers consolidate and operate increasingly on a global basis, they are looking for suppliers who can serve them in more than one country.

One example of how this can work is IKEA. A few years ago, we began printing inserts and flyers for IKEA in Spain. Today, we print all the company's catalogs in North America and in four European countries as well.

In Latin America, a subsidiary of one of our North American directory customers turned to us to print directories in Peru and Brazil. A long-term contract with Listel enabled us to build a new printing facility at Recife in the northeast region of the country. We increased our reach and Listel was guaranteed a quality product, closer to the end user, which significantly reduced distribution costs.

More recently, we signed an agreement with Hachette Filipacchi Medias, France's largest magazine publisher and one of our most significant magazine customers in North America. Pending regulatory approval, Quebecor World will purchase Hachette's European printing assets, significantly bolstering our platform in Europe. As part of the agreement, Quebecor World was awarded a $400 million long-term contract to print many of Hachette's magazines in France.

These are just a few examples of how our global platform is allowing us to build upon existing customer relationships as well as to develop new ones.

OUR GLOBAL MANAGEMENT Teams

As we turn toward 2002 and beyond, we are a more efficient and better positioned company than ever before.

The year 2001 began with fairly robust market conditions in the North American print industry. Coming off sizzling years in 1999 and 2000, many feared that the bubble was going to burst. Through the first two quarters, we were pleasantly surprised to see demand reasonably strong in our market segments. Although the economy was not booming, the constant lowering of interest rates kept consumer optimism high, and our customers continued to market and advertise fairly strongly. We continued our strategy to invest in our markets, expanding our coast-to-coast retail segment with the acquisition of Retail Printing Corporation in Massachusetts and Tennessee, and we invested in a world-class press for Pacific Bell on the West Coast, as well as adding retail press capacity on the West Coast.

In midsummer, a time that is usually the beginning of our peak season, our customers began to tell us that they were pulling back on orders, including back-to-school markets, fall fashion magazines and holiday advertising. The economy began to teeter. When the devastating attack on the World Trade Center occurred, our advertising-dependent magazine, catalog, and direct mail segments reacted swiftly and severely. There is an old advertising saying, "Don't advertise during a crisis," which certainly became true in those markets. Our business held up better than most, thanks to our diversified product offering, industry-leading position and strategy of aligning ourselves with the leading publishers and retailers. Our directory and retail markets showed the most resilience, and held up fairly well through the end of the year. All in all, 2001 ended as a very challenging year for the North American economy.

We are proud of the responsiveness of all Quebecor World employees to the September 11th crisis, through their donations of time and money to various relief causes. Many employees were personally affected, and their fellow employees supported them strongly. We are also proud of our employees' ability to react on the business front, by quickly finding ways to reduce costs, manage a smaller workload more efficiently and do more with less.

In each of our core markets, we have aggressive growth, cost-reduction and service-enhancing plans developed that will improve our industry-leading margins, as well as deliver more cost-effective, targeted and effective solutions for our customers. Each of our market segments continues to develop its management teams and its employees through training initiatives, developmental opportunities and a continuous improvement philosophy that reaches throughout the organization. As our markets recover, Quebecor World will be standing strongly as the leader in its segments, helping our customers to be more effective than ever before.

North America

From left to right:

David Boles, President, Retail and Sunday Magazine
Brian Sullivan, President, Commercial and Direct
David Bragen, President, Directory Group
Marc Reisch, President and Chief Executive Officer, Quebecor World North America
Jerry Allee, President, Book Services
John Paloian, President, Magazine and Catalog

From left to right:

Daniel J. Scapin, President, Logistics Services
Jack Schuh, President, Que-Net Media™
John Bertuccini, Executive Vice President, International Sales
Rick Lane, Executive Vice President, Strategic Development
Richard Tremblay, President, East Group Canada
Daniel O'Brien, Senior Vice President, Paper Operations

From left to right:

Carl Gauvreau, Senior Vice President, Finance
Heidi Nolte, Senior Vice President, Chief Information Officer
Kevin Hayden, Vice President, Operations Planning
Marc Shapiro, Senior Vice President, Human Resources
Paul Runko, Vice President, Client Financial Services
Paul Carousso, Vice President, Controller
Jeff Peterson, Senior Vice President, E-Business

% of total revenues

2001 Revenues: **$5.3 billion**
Plants: **More than125**
Employees: **33,500**
Countries: **Canada, United States**

OUR GLOBAL MANAGEMENT Teams

We are aggressively managing costs to position ourselves to take advantage of the next phase of growth in European print.

In the latter half of the 1990s, printers in Europe saw a surge in demand for their services as the industry experienced growth rates significantly in excess of GDP. During this period, many industry players responded to the increased demand by investing heavily in new equipment. However, the subsequent slowing of the European economy, which accelerated during 2001, created sudden and significant excess capacity not unlike that experienced in North America in the early 1990s.

As an experienced global player having grown through acquisition, Quebecor World is well positioned to take advantage of the situation. Although because of reduced economic visibility acquisition opportunities in Europe became fewer as the year progressed, in 2001 we seized several opportunities to consolidate and strengthen our existing operations and win new business.

Spain remains the fastest growing member of the EU. We began 2001 with a small Spanish pre-press acquisition to create a better balance between our press and pre-press activities in that market. Our high-quality, low-cost Spanish book business won 13 new accounts in North and South America through aggressive cross-selling, in collaboration with the local sales forces in both those markets. One of our most significant contract wins in Spain is the five-year contract with Telefonica de España, our first foray into the directory business in Europe.

The acquisition of Hachette Filipacchi's printing operations, pending regulatory approval, in France and Belgium bolstered our French platform. The acquisition of their related French bindery and routing businesses allows us to eliminate the imbalance that had developed over time between our print and finishing businesses.

In Scandinavia, new management and the improved integration of our plants in Finland and Sweden produced solid results. We continue to target Russia as an attractive growth market. We currently print five magazines for the Russian market, including the country's largest-circulation magazine.

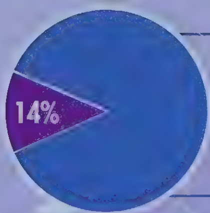
In the U.K. and Austria, the focus was on garnering new print opportunities despite the difficult market. Our U.K. operation finished strongly, acquiring more than 40 new accounts/titles in its core magazine and newspaper insert franchise, and gained work in the retail segment, a first for us in that market. In Austria, we won more than 50 new accounts/titles. We have also seen customers returning to Quebecor World Europe across the platform as they seek a stable and dependable supplier in a turbulent market.

We believe that 2002 will be a challenging year for the European printing industry, but we find comfort in the fact that economists agree the European economy is fundamentally sound and should improve in the latter half of 2002.

Europe

From left to right:
John Dickin, Executive Vice President
Serge Reynaud, Chief Administrative Officer
Vincent Bastien, President
Paul Jones, Vice President, International Sales
Mark D'Souza, Chief Financial Officer

% of total revenues



2001 Revenues: **$891 million**
Plants: **24**
Employees: **6,000**
Countries: **Austria, Finland, France, Spain, Sweden, Switzerland, United Kingdom**

Quebecor World believes that Latin America is a market of the future, where significant improvements in personal disposable income will translate into meaningful increases in print demand.

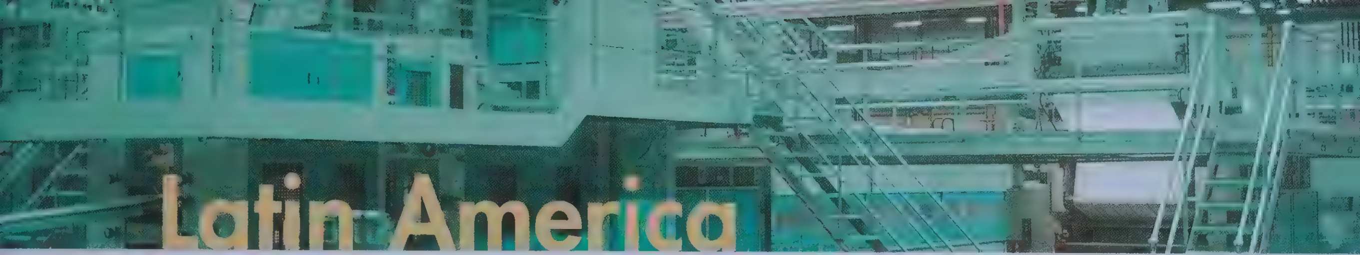
Even as we continued to build our strategic position in 2001, we recorded a series of significant and immediate financial successes in the Latin American operations. Sales grew by 44 percent over the prior year, operating income was up by 60 percent and the operating margin reached 9.9 percent in the fourth quarter. These were the tangible results of our strategy of targeted acquisitions, complemented by selective investment in new or transferred equipment, and by an unrelenting focus on cost containment. The results were achieved even as the Company built its greenfield plant in Recife, Brazil, and started up a series of newly installed presses throughout the region.

Quebecor World is creating a network of printing facilities across Latin America. This network allows the Company to specialize in particular products in specialized facilities, even while offering our clients a broad spectrum of products. Specialized plants tend to generate higher returns. The diversity of products with different demand curves and the diversity of countries with differing underlying economies help to reduce overall risk in a historically cyclical region.

This strategy proved itself in 2001. In the first quarter, we acquired a book printer in Sao Paulo, Brazil, and then expanded plant capacity, thus improving our service in the region's largest economy. At midyear we acquired selected assets of Grupo Serla. We then tripled the plant's directory capacity in Mexico City in order to produce most of ADSA's directory volumes under a multi-year enabling contract. These two investments in Brazil and Mexico dramatically reposition Quebecor World's service offering in the economies that represent two-thirds of Latin America's total GNP.

The firm is completing a regional fiber-optic and satellite network that connects each of our plants and links with key global customers. Clients in Sao Paulo or Buenos Aires now have instant access to the directory plants in Recife, Lima and Mexico City. Work can be shared among facilities, including those in North America, and delivery times can be improved. This network is instrumental in differentiating Quebecor World from its local competitors. The payoff is additional volumes and contracts with publishers such as Estrada and Telecom Argentina.

Lastly, the geographic diversification of Quebecor World Latin America is proving its value. Results in 2001 in our Peru and Colombia facilities were excellent. The new Sao Paulo plant exceeded its target, while cost reductions in Chile and Argentina offset weaker market conditions in those countries. As we enter 2002, we expect the economic performance in the new Mexican and Brazilian plants will offset the economic problems that reached a peak in Argentina at the start of the year. Argentina represents less than one percent of Quebecor World's global sales. Furthermore, the growth in the relatively stable directory and book markets and new contracts in these sectors offset weakness in magazine sales. Prospects for Quebecor World Latin America are good.



Latin America

From left to right:
Ron Steele, Vice President, Planning and Operations
Sean Twomey, Senior Vice President
Guy Trahan, President
Alberto Umaña, Vice President, Book Division
Yves Bertrand, Vice President, Finance

BUILD A SCHOOL, BUILD A Better World

At Quebecor World, social responsibility is more than just a headline; it is part of who we are. Across our global platform, Quebecor World and its employees are continually reaching out to give back and make our communities better.

The school under construction in Pampa del Infierno, Argentina.

In the U.S. in 2001, there were countless examples of Quebecor World employees contributing to the September 11th relief efforts by giving of their time and energy, as well as contributing through blood drives, rummage sales, raffles, flea markets and countless other fundraising activities. It is this spirit of involvement at the local, national and international level that has given Quebecor World success at home and abroad.

When we enter a new country or region, we try to blend in and embrace new cultures rather than impose our own, thereby maximizing the best of both worlds. The more we expand globally, the more we realize the importance of acting locally. We believe in leading by example, whether it is helping employees buy homes in Colombia, donating school books in Peru, building schools in Argentina or supporting local charities in Europe and North America. By giving back and supporting local initiatives, we are creating added value for our employees, our communities, our customers and ultimately our shareholders.

Argentina has historically enjoyed a strong education system, but in the last decade, as a result of a struggling economy, fewer schools have been built, especially in the more remote areas of the country. There is a tremendous need, with almost one-third of the 37 million people under the age of 14. At Quebecor World, we believe strongly in education and we see this school project as an opportunity to help build a better world.

To get the project off the ground, we contacted APAER, a non-governmental organization that has built 29 schools in rural areas.

The Quebecor World school project is in a small village called Pampa del Infierno in Chaco province. There is no school building, and 70 children are not receiving any academic instruction. Along with one of our key publishing customers, A-Z Editora, we have started a project to build a school that will have three classrooms, electricity and a cistern to hold enough water to last through the dry season. There will also be a vegetable garden to teach the children about nutrition and basic growing techniques. Quebecor World is providing funding for furniture, shoes, clothing and school supplies. A-Z Editora is supplying the books.

"We believe it is important for business to find ways to improve society in the countries where we operate," says Guy Trahan, President, Quebecor World Latin America. "Investing in the country is also an investment in our business. Besides being the right thing to do, helping people get an education encourages them to read."

The school project in Pampa del Infierno is also an example of how Quebecor World looks for ways to contribute that fit in with the local needs. And for Guy Trahan, the school project in Pampa del Infierno is just the beginning. "This is a start," he says. "If we can build half a dozen schools in this country, then we will have accomplished something."

PROTECTING OUR Tomorrows

►► No matter where we operate, Quebecor World is committed to efficiently using resources and applying pollution prevention measures in an effort to maintain a healthy environment for future generations.

Quebecor World plants invest in state-of-the-art pollution control.

That's why a brand new regenerative thermal oxidizer (RTO) was among the more important pieces of equipment we installed in our new 16,000-square-meter printing plant in Recife, Brazil, for the opening last summer. We knew that the largest plant in Latin America needed a state-of-the-art pollution control device that could reduce air emissions while saving 95 percent of the energy it produces.

We are also planning to install RTOs in Mexico, Peru and Argentina, part of a program that will eventually see all of our plants in Latin America equipped with appropriate pollution control devices. Those RTOs will far exceed the levels of environmental performance that are required by the local authorities on air emissions.

Limiting air emissions is the biggest issue we face, but plant employees are also concerned about recycling ink, processing waste water, recovering solvent and looking for other opportunities to reduce, reuse and recycle. Some of our plants are so committed to positive action that they have developed strong management systems so that environmental issues get the attention they deserve. We already have six plants—Bromont, Quebec; Printpak, Calgary; Interprint and Sormlands, Sweden; and Altair and Cayfo, Spain—that have or are about to receive the International Organization for Standardization's ISO 14001 certification. Plants must meet demanding international standards in environmental practices to earn this designation. Two other plants—Lille, France, and the former George Rice and Sons plant in Los Angeles—are planning to use customized computer software to help them get certified soon. To become certified, we must establish a strong environmental management system that meets standards agreed to by representatives from some 140 countries. It then has to be verified by independent auditors. We're especially proud to hear from these auditors that our environmental policy goes beyond what's necessary to meet ISO 14001 certification requirements. We like to be the leader in every aspect of our business.

Quebecor World Altair, Spain

Waste paper area with the new noise insulation around the vacuum system.

CORPORATE Governance

Board of Directors
(as of February 4, 2002)

In 2001, the Board of Directors of Quebecor World Inc. welcomed one new director and announced plans to elect a new Chairman and Vice Chairman of the Board.

James Doughan was appointed to the Board of Directors in 2001. Mr. Doughan has held senior management positions in the pulp and paper industry, serving as President and Chief Executive Officer of Abitibi Consolidated from 1997 to 1999, and President and Chief Executive Officer of Stone Consolidated Corporation from 1993 to 1996.

In November 2001, it was announced that at the next Annual Meeting of Shareholders of the Company on April 3, 2002 the Right Honourable Brian Mulroney would assume the role of Chairman of the Board. Mr. Mulroney will replace Jean Neveu, who is remaining as a Director and a member of the Executive Committee. Mr. Neveu has been a member of the Board since 1989 and Chairman of the Board since 1990.

Mr. Mulroney has been a director of Quebecor World since 1997. He served as Prime Minister of Canada from 1984 until 1993, and is currently a director of several international companies, such as Barrick Gold Corporation, TrizecHahn Corporation, Archer Daniels Midland Company, Viasystems Inc., Cendant Corporation, AOL Latin America Inc., Iter Canada Host Inc. and Cognicase Inc. Mr. Mulroney is also a member of the International Advisory Councils of J.P Morgan Chase & Co., Bombardier Inc. Aerospace Group, Violy, Byorum & Partners and GEMS SITIC, and Chairman of Barrick Gold Corporation International Advisory Board, Chairman of the Latin America and European Strategy Boards of Hicks, Muse, Tate & Furst and Chairman of Forbes Global.

In the fourth quarter 2001, Érik Péladeau was appointed Vice Chairman and Senior Executive Vice President of the Company. Mr. Péladeau is also Vice Chairman of the Board of Quebecor Inc., Vice Chairman of the Board of Quebecor Media Inc.

The Board of Directors of the Company held six meetings during 2001. The general mandate of the Board is to assume the stewardship of the overall administration of the Company and to oversee the management of its operations. In April 2001, the Directors increased the Company's quarterly dividend from $0.10 to $0.12, subject to declaration. The Directors also approved a new 2001 normal course issuer bid for a maximum of 8,800,000 Subordinate Voting Shares.

The Executive Committee, which exercises all the powers of the Board of Directors in respect of the management and direction of the business and affairs of the Company, subject to certain restrictions under applicable laws, met 14 times in 2001.

The Audit Committee, which consists entirely of outside Directors, held five meetings in 2001. It reviews the Company's annual and quarterly financial statements, monitors the audit services rendered by the Company's independent auditors and reviews their recommendations and management's efforts to follow up on same, and ensures that the Company establishes adequate risk-management, financial and accounting controls.

The Compensation Committee is responsible for the establishment of the general compensation policies pertaining to salaries, bonuses and any other form of compensation for all the employees of the Company. It also establishes the compensation of the senior executives of the Company and administers the Executive Stock Option Plan and the Employee Stock Purchase Plans and Cash Long-Term Incentive Plan. The Compensation Committee met twice in 2001. In the fourth quarter 2001, the Compensation Committee of the Board approved the introduction of Employee Stock Purchase Plans for employees in France and the United Kingdom.

The Pension Committee, which is made up entirely of outside Directors, reviews the policies proposed by the Company's pension fund managers and the performance of such funds. The Pension Committee also receives and examines the annual reports tabled by the Company's various pension committees (Canadian, U.S. and others), participates in the selection of suitable fund managers and reviews the recommendations of said committees. The Pension Committee met three times in 2001.

BOARD OF DIRECTORS

Jean Neveu
Chairman, Quebecor World Inc.
Chairman, Quebecor Inc.
Chairman, Group TVA Inc.

Érik Péladeau
Vice Chairman and Senior Executive Vice President, Quebecor World Inc.
Vice Chairman of the Board, Quebecor Inc.
Vice Chairman of the Board, Quebecor Media Inc.

Reginald K. Brack
Former Chairman and Chief Executive Officer, Time Inc.

Charles G. Cavell
President and Chief Executive Officer, Quebecor World Inc.

Robert Coallier
Executive Vice-President and Chief Financial Officer, Molson Inc.

James Doughan
Corporate Director, Consultant

Raymond Lemay
Corporate Director

Eileen A. Mercier
President, Finvoy Management Inc.; Vice Chairman of the Board, Workplace Safety and Insurance Board (Ontario)

The Right Honourable Brian Mulroney
Senior Partner, Ogilvy Renault

Robert Normand
Corporate Director

Pierre Karl Péladeau
President and Chief Executive Officer, Quebecor Inc.
President and Chief Executive Officer, Quebecor Media Inc.

Alain Rhéaume
President and Chief Executive Officer, Microcell PCS

EXECUTIVE COMMITTEE
Jean Neveu, Chairman
Charles G. Cavell
Raymond Lemay
Érik Péladeau
Pierre Karl Péladeau
Alain Rhéaume

AUDIT COMMITTEE
Robert Coallier, Chairman
Reginald K. Brack
Robert Normand

COMPENSATION COMMITTEE
Raymond Lemay, Chairman
Jean Neveu
Érik Péladeau
Pierre Karl Péladeau
Alain Rhéaume

PENSION COMMITTEE
Eileen A. Mercier, Chair
James Doughan
Raymond Lemay

OFFICE OF THE CEO

OFFICE OF THE CHIEF EXECUTIVE OFFICER

The Office of the CEO was established to oversee Quebecor World's strategic direction and long-term development.

Members of the Office, from left to right:

Charles G. Cavell, President and Chief Executive Officer;

Christian M. Paupe, Executive Vice President;

Marc L. Reisch, President and Chief Executive Officer, Quebecor World North America;

Érik Péladeau, Vice Chairman and Senior Executive Vice President.

CORPORATE Offices

Montreal, Quebec, Canada

Greenwich, Connecticut, USA

Fribourg, Switzerland

SENIOR Management

QUEBECOR WORLD INC.

Jean Neveu
Chairman of the Board

OFFICE OF THE CEO

Charles G. Cavell
President and Chief Executive Officer

Christian M. Paupe
Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer

Érik Péladeau
Vice Chairman and
Senior Executive Vice President

Marc L. Reisch
President and Chief Executive Officer,
Quebecor World North America

CORPORATE OFFICERS

Denis Aubin
Vice President and Treasurer (Switzerland)

David Blair
Vice President, Manufacturing, Technologies and Environment

Jerry Brofft
Vice President, Global Purchasing (Switzerland)

Diane Dubé
Assistant Vice President,
Corporate Controller

Bruce W. Hannah
Vice President, Human Resources

Marie D. Hlavaty
Vice President, General Counsel and Secretary

Claire Lanctôt
Vice President, Business Development

Nicolas Lavoie
Assistant Treasurer, Corporate Finance

Raynald Lecavalier
Assistant Vice President,
Legal and Environmental Affairs and
Assistant Secretary

Sylvain Levert
Vice President, Corporate Services and Logistics (Switzerland)

Gaétan Lussier
Vice President, Internal Audit

Pierre R. Martel
Vice President, Taxation and Real Estate

Paul Martineau
Assistant Vice President, Treasury

Jeremy Roberts
Director, Corporate Finance and
Investor Relations

Tony Ross
Director, Corporate Communications

Mike Young
Vice President and Corporate Controller

SENIOR MANAGEMENT – QUEBECOR WORLD NORTH AMERICA

Marc Reisch
President and Chief Executive Officer,
Quebecor World North America
Chairman, President and Chief Executive Officer, Quebecor World (USA) Inc.

John Bertuccini
Executive Vice President, International Sales

Paul Carousso
Vice President, Controller

Carl Gauvreau
Senior Vice President, Finance

Kevin Hayden
Vice President, Operations Planning

Rick Lane
Executive Vice President,
Strategic Development

Heidi Nolte
Senior Vice President,
Chief Information Officer

Daniel O'Brien
Senior Vice President, Paper Operations

Jeff Peterson
Senior Vice President, E-Business

Paul Runko
Vice President, Client Financial Services

Marc Shapiro
Senior Vice President, Human Resources

BOOK SERVICES

Jerry Allee
President

COMMERCIAL AND DIRECT

Brian Sullivan
President

Aivars Beikmanis
President, Specialty Group, Canada

DIRECTORY GROUP

David Bragen
President

LOGISTICS SERVICES

Daniel J. Scapin
President

MAGAZINE AND CATALOG

John Paloian
President

Charles L. Miotke
President, Targeted Publications

Tim Boissinot
Senior Vice President,
Magazine and Catalog, Canada

QUE-NET MEDIA™

Jack Schuh
President

RETAIL AND SUNDAY MAGAZINE

David Boles
President

Hans Nielsen
President, Retail, Canada

EAST GROUP CANADA

Richard Tremblay
President

SENIOR MANAGEMENT – QUEBECOR WORLD EUROPE

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President

John Dickin
Executive Vice President

Mark D'Souza
Chief Financial Officer

Paul Jones
Vice President, International Sales

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General Manager, Altair Quebecor World,
General Manager, Quebecor World Ibérica (Spain)

Eveline Kettl
General Manager, Oberndorer Druckerei (Austria)

Andrew Parker
Managing Director of Operations,
Quebecor World Corby (U.K.)

Serge Reynaud
Chief Administrative Officer

Rainer Ruckelshausen
Director, Sales and Marketing,
Quebecor World Germany GMBH

Tomas Salzmann
General Manager,
Quebecor World Norden

SENIOR MANAGEMENT – QUEBECOR WORLD LATIN AMERICA

Guy Trahan
President

Yves Bertrand
Vice President, Finance

Joao Armindo de Carvalho
General Manager, Quebecor World Recife

Hamilton Costa
General Manager, Quebecor World Directory Mexico

Pedro Isasi
General Manager, Quebecor World Peru

Elicio Lizak
General Manager, Quebecor World Sao Paulo

Reynaldo Mina
Vice President, Brazil

Miguel Saez
General Manager, Grafica Monte Alban, Mexico

Ron Steele
Vice President, Planning and Operations

Sean Twomey
Senior Vice President

Alberto Umaña
Vice President, Book Division

María Umaña
General Manager, Quebecor World Impreandes Bogotá

Carlos Herman Aguirre Vargas
General Manager, Quebecor World Chile

SHAREHOLDER Information

Five-Year Financial Review

Income, Cash Provided from Operating Activities and Free Cash Flow (in millions of U.S. dollars except Per Share data)

	2001	Q4	Q3	Q2	Q1	2000	1999	1998	1997
Revenues	**6,320.1**	**1,615.9**	**1,625.2**	**1,502.3**	**1,576.7**	**6,521.1**	**4,952.5**	**3,808.2**	**3,483.2**
Cost of sales	4,878.9	1,249.8	1,247.9	1,146.6	1,234.6	4,991.7	3,846.1	2,979.9	2,736.4
Selling, general and administrative expenses	485.6	131.2	118.8	112.7	122.9	459.5	347.9	287.4	267.7
Depreciation and amortization	337.8	85.2	85.8	84.0	82.8	345.1	286.0	223.8	200.8
Operating income before restructuring and other special charges	**617.8**	**149.7**	**172.7**	**159.0**	**136.4**	**724.8**	**472.5**	**317.1**	**278.3**
Restructuring and other charges	270.0	270.0	–	–	–	(2.7)	180.0	–	–
Financial expenses	208.8	49.6	53.0	51.9	54.3	231.5	122.2	64.3	66.9
Income taxes	52.0	(30.6)	32.0	27.8	22.8	137.7	48.4	72.9	67.2
Minority interest	3.2	0.7	0.9	0.7	0.9	2.4	12.7	3.2	2.0
Goodwill amortization, net of income taxes	61.4	14.1	16.0	15.4	15.9	60.5	31.7	17.0	11.2
Net income before restructuring and other special charges	*248.7*	*72.2*	*70.8*	*63.2*	*42.5*	*293.4*	*204.5*	*159.7*	*131.0*
Net income	**22.4**	**(154.1)**	**70.8**	**63.2**	**42.5**	**295.4**	**77.5**	**159.7**	**131.0**
Non-cash items in net income:									
Depreciation of property, plant and equipment	314.9	79.3	80.0	78.5	77.1	325.3	269.7	214.2	193.9
Amortization of goodwill and deferred charges	84.3	20.0	21.8	20.9	21.6	80.3	48.0	26.6	18.1
Non-cash portion of restructuring and other charges	142.6	142.6	–	–	–	(7.0)	111.3	–	–
Deferred income taxes	(42.8)	(102.2)	19.7	24.8	14.9	91.8	(8.7)	29.6	26.7
Other	10.5	2.3	3.5	2.0	2.7	(0.1)	10.1	(5.3)	9.5
Changes in non-cash balances related to operations:									
Trade receivables	190.0	236.5	(111.5)	121.5	(56.5)	128.6	175.8	20.1	(80.3)
Inventories	77.2	102.6	(52.5)	33.1	(6.0)	8.8	34.2	29.0	(43.3)
Trade payables and accrued liabilities	(138.9)	103.9	1.6	(29.2)	(215.2)	18.6	(44.9)	(49.8)	58.5
Other current assets and liabilities	20.3	34.0	2.7	(12.1)	(4.3)	(48.6)	33.0	(4.7)	16.2
Other non-current assets and liabilities	(104.0)	(24.2)	(24.0)	(25.5)	(30.3)	24.7	4.1	(5.5)	(13.0)
Cash provided from operating activities	**576.5**	**440.7**	**12.1**	**277.2**	**(153.5)**	**917.8**	**710.1**	**413.9**	**317.3**
Free cash flow from operations *	**287.2**	**385.1**	**(58.2)**	**178.9**	**(218.6)**	**747.3**	**552.6**	**124.8**	**(0.8)**
Per share data									
Earnings before restructuring and other special charges (diluted)	1.58	0.45	0.46	0.41	0.27	1.90	1.55	1.29	1.12
Earnings (diluted)	–	(1.16)	0.46	0.41	0.27	1.91	0.54	1.29	1.12

* Cash provided from operating activities, less capital expenditures net of proceeds from disposals, and preferred share dividends.

Consolidated Balance Sheets (in millions of U.S. dollars)

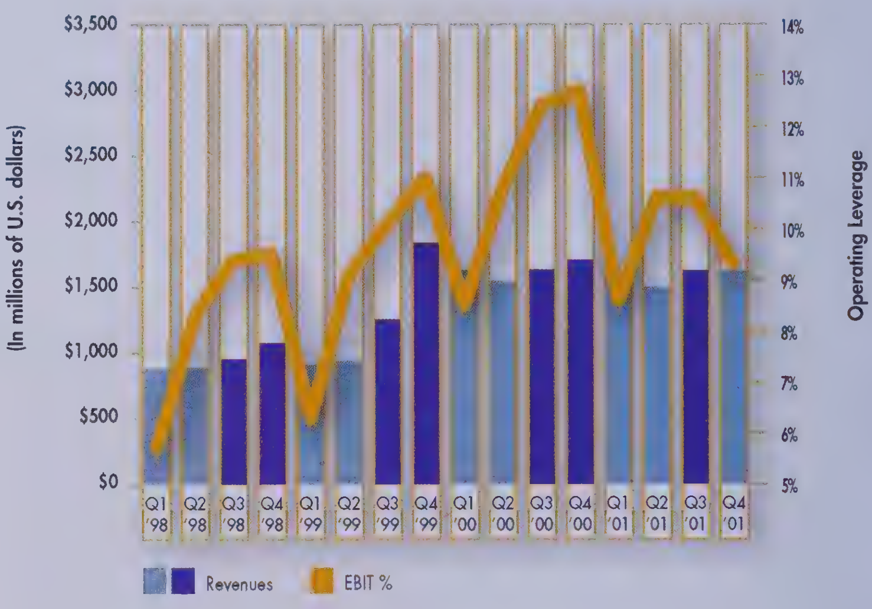
	2001	Q4	Q3	Q2	Q1	2000	1999	1998	1997
Assets									
Cash and cash equivalents	85.5	85.5	1.9	0.4	2.0	52.7	3.6	0.3	0.4
Trade receivables	368.5	368.5	635.3	518.7	643.8	587.1	743.3	695.9	683.9
Inventories	377.1	377.1	489.5	433.7	466.7	461.4	486.2	233.0	253.2
Deferred income taxes	58.0	58.0	58.1	57.9	58.1	58.1	36.4	9.4	9.3
Prepaid expenses	24.1	24.1	37.0	39.0	34.3	26.0	27.8	25.1	20.9
Total current assets	**913.2**	**913.2**	**1,221.8**	**1,049.7**	**1,204.9**	**1,185.3**	**1,297.3**	**963.7**	**967.7**
Property, plant and equipment	2,634.0	2,634.0	2,725.9	2,684.1	2,649.3	2,683.0	2,895.3	2,222.0	2,072.9
Goodwill	2,470.7	2,470.7	2,489.5	2,406.6	2,432.3	2,459.5	2,526.7	639.4	430.6
Other assets	132.0	132.0	166.4	160.5	151.8	156.9	153.8	81.2	71.5
Total assets	**6,149.9**	**6,149.9**	**6,603.6**	**6,300.9**	**6,438.3**	**6,484.7**	**6,873.1**	**3,906.3**	**3,542.7**
Liabilities and shareholders' equity									
Bank indebtedness	0.1	0.1	0.8	1.1	1.8	3.1	5.6	15.6	19.0
Trade payables and accrued liabilities	1,024.1	1,024.1	927.3	909.7	917.8	1,155.5	1,103.2	606.5	640.1
Income and other taxes payable	26.5	26.5	1.1	3.3	10.7	6.0	38.8	42.2	33.0
Current portion of long-term debt and convertible notes	57.0	57.0	94.1	81.8	84.7	87.2	77.2	51.1	52.0
Total current liabilities	**1,107.7**	**1,107.7**	**1,023.3**	**995.9**	**1,015.0**	**1,251.8**	**1,224.8**	**715.4**	**744.1**
Long-term debt	1,961.9	1,961.9	2,202.2	2,051.2	2,142.9	2,015.6	2,582.9	1,140.9	913.3
Other liabilities	245.6	245.6	249.1	272.8	274.1	290.8	290.2	155.6	145.6
Deferred income taxes	234.0	234.0	351.4	334.2	326.5	326.1	255.0	255.3	226.2
Convertible notes	113.3	113.3	112.8	112.4	106.1	105.9	179.8	58.2	60.0
Minority interest	14.2	14.2	13.5	12.7	13.5	20.6	22.0	17.4	17.8
Shareholders' equity	2,473.2	2,473.2	2,651.3	2,521.7	2,560.2	2,473.9	2,318.4	1,563.5	1,435.7
Total liabilities and shareholders' equity	**6,149.9**	**6,149.9**	**6,603.6**	**6,300.9**	**6,438.3**	**6,484.7**	**6,873.1**	**3,906.3**	**3,542.7**

SHAREHOLDER Information

QUARTERLY OPERATING PERFORMANCE

Quebecor World typically accesses peak operating leverage[1] during the third and fourth quarters of each year. Through aggressive cost control, the Company still achieved an industry-leading margin of 9.8 percent in 2001 despite a revenue shortfall during this peak earnings season. These cost reductions are recurring and will enhance operating leverage as revenues rebound.

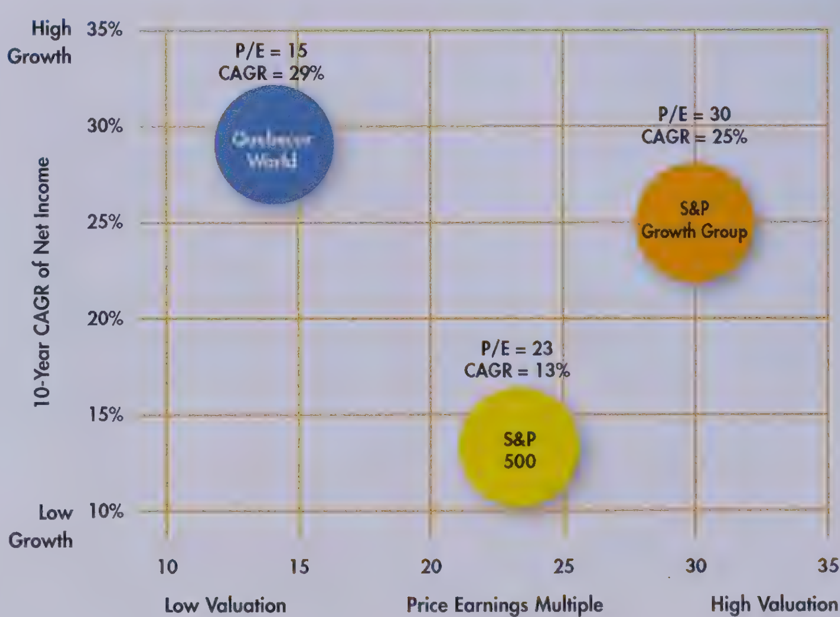
[1] *Before restructuring and other special charges.*



VALUATION COMPARISONS (MAY 29, 2001)

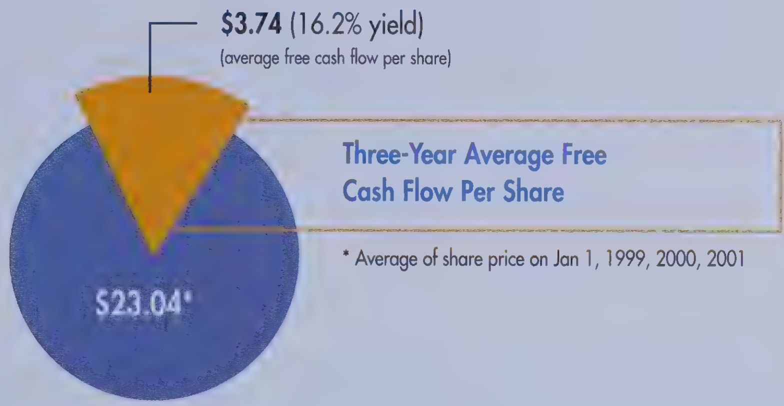
During the period 1990-2000, earnings per share[1] grew in excess of 20 percent annually. At a price-earnings multiple of approximately 15 times, an investment in Quebecor World shares provides growth at a reasonable price when compared to the S&P Growth Group[2] or the S&P 500 companies generally.

[1] *Before restructuring and other special charges.*
[2] *S&P Growth Group: S&P 500 index members, revenue and net income 10-year CAGR of 10 percent, no decrease in revenues and net income since 1989 (17 S&P 500 comparators).*



FREE CASH FLOW YIELD

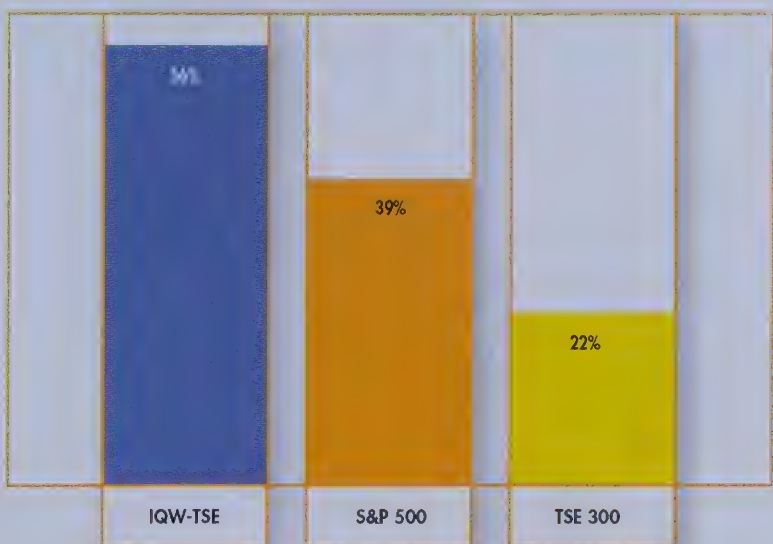
Over the past three years, Quebecor World has generated $1.6 billion of free cash flow from operations, representing an average of $3.74 per share annually.



FIVE-YEAR TOTAL RETURN

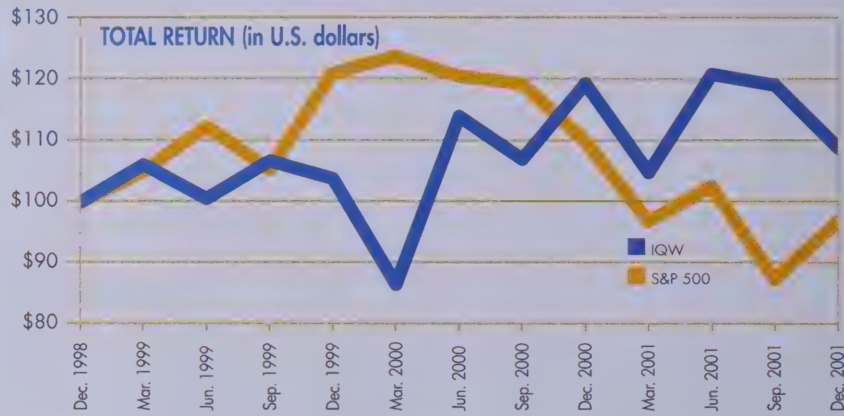
(JAN. 1, 1997 – DEC. 31, 2001)

Over the past five years, Quebecor World shares have outperformed the TSE 300 Index by 34 percent and the S&P 500 Index (CAD return) by 17 percent.



SHAREHOLDER **Information**

Average Daily Trading Volume	
1999	362,518
2000	308,674
2001	369,838



New York Stock Exchange (in U.S. dollars)

	High	Low	Close
1999	$24.81	$20.81	$22.25
2000	$26.25	$17.56	$25.19
2001	$27.61	$19.23	$22.56

Toronto Stock Exchange (in Cdn dollars)

	High	Low	Close
1999	$36.70	$31.40	$32.25
2000	$39.10	$25.60	$37.60
2001	$42.65	$30.25	$35.88

Stock Listing
Quebecor World Inc. Subordinate Voting Shares are listed on the New York Stock Exchange and on the Toronto Stock Exchange under the symbol IQW.

Annual Meeting
The Annual General Meeting will be held at 10:00 am on April 3, 2002, at:
Le Windsor
1170 Peel Street
Montreal, Quebec

Annual Information Form
The Annual Information Form may be obtained by writing to:
Corporate Secretary
Quebecor World Inc.
612 Saint Jacques Street
Montreal, Quebec
H3C 4M8

Transfer Agent and Registrar
Computershare Trust Company of Canada
Place Montreal Trust
1800 McGill College
Montreal, Quebec
H3A 3K9

Co-Transfer Agents
Computershare Trust Company, Inc.
Denver, Colorado

Auditors
KPMG LLP

Vous pouvez vous procurer une version française de ce rapport annuel en vous adressant à :

Quebecor World Inc.
612, rue Saint-Jacques
Montréal (Québec)
H3C 4M8

Quebecor World at a Glance

Quebecor World is the only truly global print media services company. We offer the widest range of products and services in the industry throughout our international network. We utilize the latest technology to meet our customers' unique print-related needs.

MAIN BUSINESS **Locations**

Quebecor World Inc.

Corporate Offices

612 Saint Jacques Street
Montreal, Quebec
Canada H3C 4M8
Tel.: (514) 954-0101
(800) 567-7070
Fax: (514) 954-9624

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United States
Tel.: (203) 532-4200
Fax: (203) 532-4373

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Switzerland
Tel.: 41 26 347 4777
Fax: 41 26 347 4778

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United States
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Fax: (203) 532-4373

Quebecor World Europe

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Fax: 33 (1) 55 62 11 01

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Argentina
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For a complete list of locations, please refer to our website at:
www.quebecorworld.com

Produced by St. Remy Media Inc.

Concept: Market Fusion
Designer: François Daxhelet
Photography: Photo G. Moores; John Morstad; Pierre Crié; Mario Peruzzo; Daniel Wiener; page 9, *People* magazine: cover photograph by Eddie Adams, insets by (from top) Kwame Brathwaite/Ipol, Reuters, Philippe Blet/ABACA
Pre-press and Printing: Imprimerie Quebecor World Graphique-Couleur

Cover: Bravo Cover Gloss 100 lb.
Text: Bravo Text Dull 100 lb.
Financial Section: Plainfield Plus 80 lb. Opaque Text Smooth

Printed in Canada

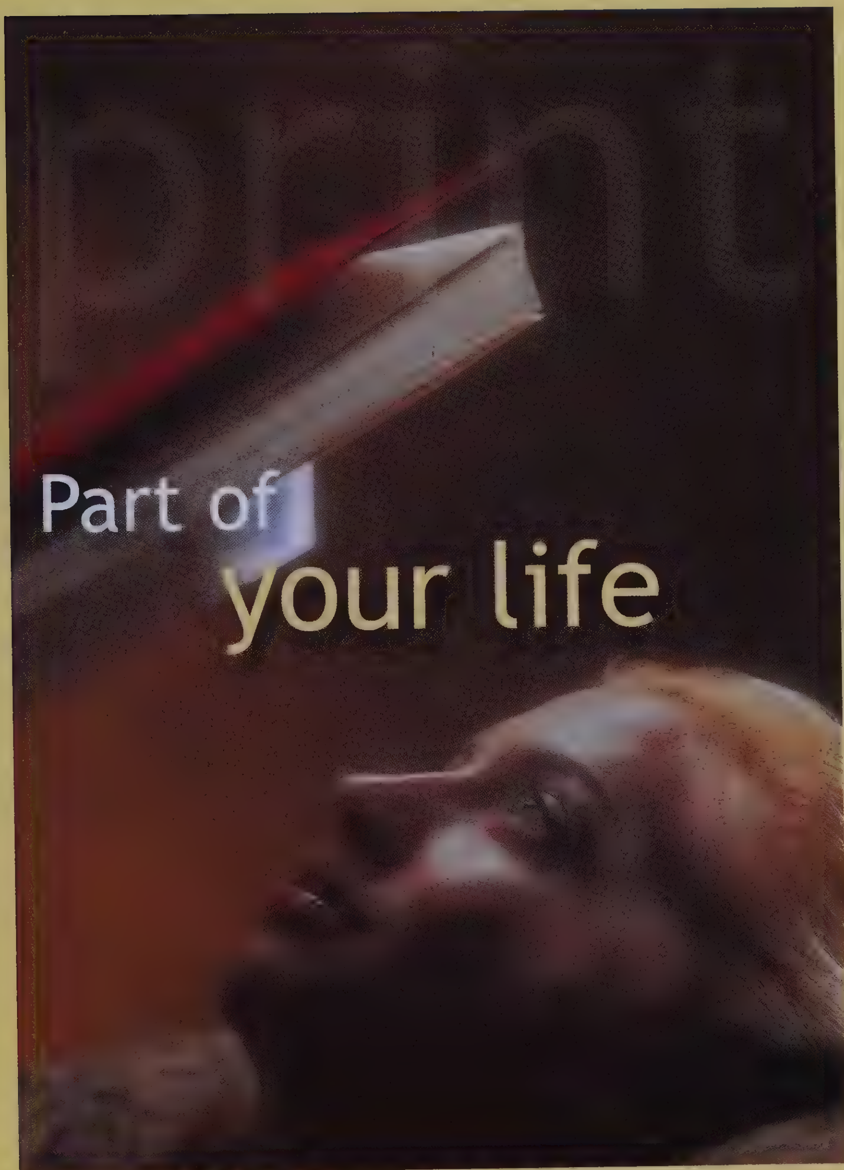
Quebecor World

The Montreal Corporate Office flies the Stars and Stripes at half-mast as a gesture of support for all our U.S. colleagues.

Quebecor World

ANNUAL REPORT 2001 PT II

Financial Review



Quebecor World

TABLE OF Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

Financial Condition and Results of Operations

OVERVIEW

We are the largest commercial print media services company in the world. We are market leaders in most of our product categories and geographies. This market-leading position has been built through a combination of successfully integrated acquisitions, investment in key strategic technologies and a commitment to building long-term partnerships with the world's leading print media customers.

We have facilities in the United States, Canada, France, the United Kingdom, Spain, Switzerland, Sweden, Finland, Austria, Brazil, Chile, Argentina, Peru, Colombia, Mexico and India.

MARKET REVIEW

The year 2001 has been difficult for the print media industry. The U.S. economy started slowing rapidly at the end of 2000, and this continued as the year 2001 progressed. During the summer, the European markets, which had until then been performing well, slowed sharply, with the French market, in particular, recording declines in advertising spending and printing volumes. This was the backdrop to the tragic events of September 11th. Following September 11th, the very weak print media markets of the U.S. and Europe suffered a sudden and unexpected drop in volumes, resulting in lower net income in 2001 compared to that in 2000. Traditionally, more than 40% of our operating income is generated in the last 4 months of the year.

Our business is structured along geographic lines in North America, Europe and Latin America. Within North America, which represents over 80% of our total revenue, we are organized around a number of business groups. The diversity of these business groups has helped to mitigate the twin effects of a slow world economy and September 11th, with some areas of the business performing better than others.

Magazine & Catalog

The Magazine & Catalog Group's revenues fell by 12% to $1,772 million in 2001, from $2,005 million in 2000. Consumer magazines have seen a significant decline in advertising pages during the year (figure 1). This decline accelerated sharply in the 3rd quarter, culminating in a dramatic drop in overall page counts post-September 11th (figure 2). An example of the effect on our business following September 11th relates to our enviable position as the major supplier of print media services to the hotel and travel industry within North America: we suffered an immediate and very substantial fall in volume, the speed of which prevented our normal aggressive approach to cost control.

We still enjoy a tremendous market-leading platform, and volumes will recover strongly when the general economic climate improves.

Commercial & Direct

The Commercial & Direct Group's revenues fell by 13% to $865 million in 2001, from $999 million in 2000.

Direct mail performed well during the first half of the year. However, following September 11th and the anthrax scares, this business saw very substantial and immediate declines in volumes, largely recovered since, due to the short lead times between order and production.

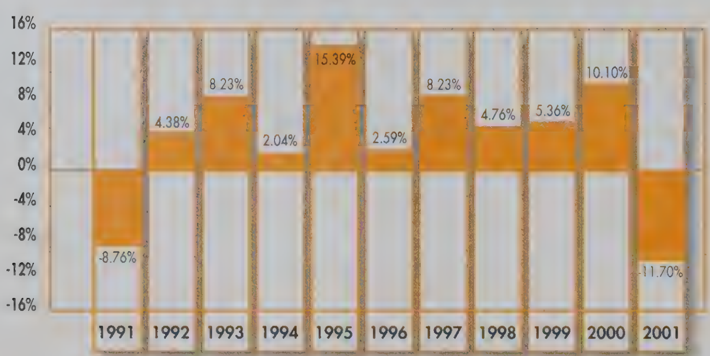
The Commercial business tracks the general economic performance and, therefore, has suffered all year from weak demand, with significant falls in volume in the 4th quarter of 2001.

Retail

The Retail Group's revenues increased by 17% to $1,118 million in 2001, from $959 million in 2000.

In July 2001, we acquired Retail Printing Corporation of Taunton, Massachusetts. This acquisition accounts for $47 million of the $159 million revenue growth.

Magazine Advertising Pages-Percentage Change year-on-year

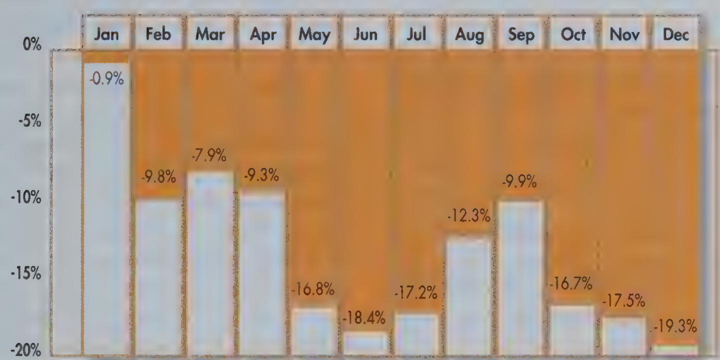


Source: Publishers Information Bureau (PIB)

Figure 1

The first advertising recession in a decade.

Magazine Advertising Pages-Percentage Change Monthly 2001 vs 2000



Source: Publishers Information Bureau (PIB)

Figure 2

Our retail business is driven by retail promotional campaigns. These campaigns have a direct effect on store traffic, and therefore retail volumes. Due to this connection between advertising and store trafic, the retailers, typically, continue to produce promotional campaigns, regardless of the general economic environment, in order to maintain volumes.

Book Services

The Book Group's revenues fell by 14% to $513 million in 2001, from $597 million in 2000. Book printing suffered in the first half of the year as publishers worked inventory levels down following a very good 2000 holiday season. There was also a general absence of new best-seller launches. Those titles that were released suffered from below normal initial-run lengths and delays before publishers felt confident enough to order reprints. This lack of volume in the first half forced utilization levels down substantially. The 3rd quarter of the year showed signs of a recovery compared to the first half, but volumes slumped again after September 11th.

Directory

The Directory Group's revenues increased by 9% to $466 million in 2001, from $427 million in 2000. This business performed very strongly all year, with record revenues and earnings. The volume in this sector is based around local advertising, as opposed to national campaigns, and therefore tends to lag the general economy by approximately 6 months, but currently volumes remain high.

Other Revenues

Other sources of revenues in our domestic business, in North America include mainly Que-Net Media™ (pre-media services) and the Eastern Canada Group which services eastern Canada and exports from Canadian facilities into the U.S.

The Que-Net Media™ Group's revenues fell by 9% to $112 million in 2001, from $123 million in 2000. This business offers services to our main print media businesses, such as the Magazine & Catalog Group, and, therefore, has suffered from the fall in volumes experienced elsewhere in the platform.

The Eastern Canada Group's revenues fell by 4% to $240 million in 2001, from $249 million in 2000. The Eastern Canada Group services the French-speaking markets and follows the general economic climate. Editorial and advertising page counts have been depressed all year, with the reduction in volume increasing in the 4th quarter. This weakness in demand is significantly less than that in equivalent markets in the U.S.

Europe

The European Group's revenues were $891 million in 2001 compared to $890 million in 2000. The European market lagged behind the North American market, with volumes and prices showing significant declines from the end of June 2001. The French market was particularly hard hit, but all markets showed weakness from the middle of the year.

Latin America

The Latin American Group's revenues increased by 44% to $161 million in 2001, from $112 million in 2000. The Latin American market showed none of the weakness portrayed in other parts of the world, and revenue continued to grow strongly. Major new contracts should ensure significant growth in 2002.

YEAR 2001 COMPARED TO YEAR 2000

Due to a soft world economy and the unprecedented economic fallout following September 11th, operating income before restructuring and other charges fell from $725 million in 2000 to $618 million in 2001, a 15% decrease. This fall in operating income was predominantly due to reduced volumes, particularly in the last 4 months of the year,

Revenue by Product Group ($ millions)

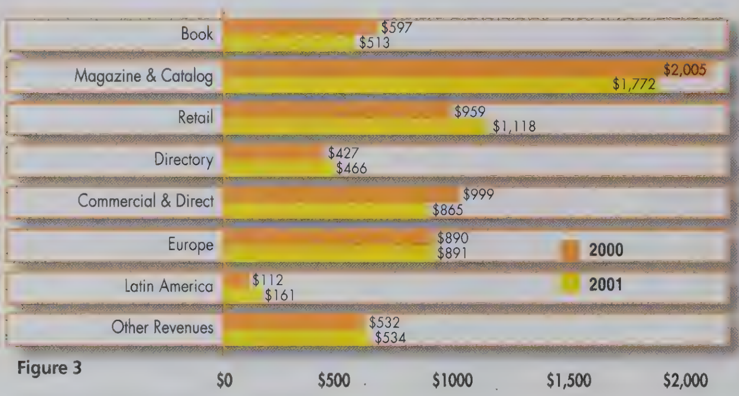


Figure 3

when traditionally we generate approximately 40% of our operating income.

Revenue decreased from $6,521 million in 2000 to $6,320 million in 2001, a decrease of 3%. This decrease in revenue does not accurately reflect the overall volume decrease suffered in the year due to an increase in the proportion of paper purchased by us.

Paper is the principal raw material consumed in printing. While we often purchase paper to supply to our customers, many customers have traditionally chosen to supply their own paper. The percentage of paper purchased by us, therefore, is a key driver in determining the absolute level of revenue.

Operating margins declined to 9.8% in 2001 from a record level of 11.1% in 2000, which still represents industry-leading margins. Higher paper sales, increased ink prices, higher energy costs and lower recovery from recycled materials combined with reduced capacity utilization, were largely responsible for lower margins.

In addition to increases in our raw materials and energy costs, the sudden fall in demand experienced immediately after September 11th reduced volume significantly, this at a time when capacity utilization levels were expected to be at a maximum. In some market segments, the speed at which volumes dropped prevented a corresponding and equivalent reduction in manufacturing costs. This mismatch between volume and capacity utilization in the last 4 months of the year damaged the short-term profitability of the business.

During the 4th quarter, in response to the sudden shift in demand, post-September 11th, we announced that we would implement a restructuring plan to shut down underperforming business units, redeploy assets and reduce our workforce. These restructuring initiatives were undertaken to ensure that our cost base is realigned to a reduced level of recurring revenues and to better position ourselves for future economic recovery.

Depreciation and amortization was $338 million in 2001, compared to $345 million in 2000. This decrease was primarily due to the closure of facilities and the disposal of equipment following the successful integration of World Color. This integration process, which commenced after the acquisition, progressed through 2000 and was completed during the first half of 2001.

Selling, general and administrative expenses were $486 million compared to $459 million in 2000. In 2000, we sold our CD-ROM replication business and generated a gain of $13 million which was recorded as a reduction in selling, general and administrative expense. If this one-time item is excluded from the comparison, then the year-on-year increase in selling, general and administrative expenses was $14 million, mainly due to increased selling costs incurred in the year to help maintain volumes in a rapidly weakening economic climate.

Our domestic business performed well for the first 6 months of the year, in soft market conditions. This challenging market continued into the 3rd quarter of the year. Markets began to improve as the quarter progressed, which was demonstrated by an upturn in magazine advertising pages published (figure 2). This fragile recovery collapsed following the tragic events of September 11th, at a time when capacity utilization levels were expected to be at a maximum and costs were in place to effectively handle the expected seasonal volume.

$1.6 billion of free cash flow generated over the last 3 years.

Our European business, excluding France, performed well in difficult market conditions. In France, significant losses were incurred during the year in two manufacturing facilities. These manufacturing facilities suffered from low volume, inefficiency, quality problems and labor disruption. A detailed plan of improvement was implemented during the year, and the benefits of this plan are expected to be progressively realized during 2002.

In 2001, our European results, when translated into U.S. currency, have been adversely affected by the low value of the Euro relative to 2000.

Latin America performed well, with our new Recife facility becoming operational during the year. Operating income in the year, however, was affected by the normal and expected start-up costs being expensed to earnings as incurred. The benefits of the new facility should be realized during 2002 and beyond.

In 2001, our Latin American results, when translated into U.S. currency, have been adversely affected by the low value of local currencies relative to 2000.

Financial expenses were $209 million in 2001, compared to $231 million in 2000. The decrease was due to lower levels of debt, together with reduced interest rates.

Income taxes were $52 million in 2001. Before restructuring and other special charges, income taxes were $96 million or 23.4% compared to $138 million in 2000, with an effective rate of 27.8%. The decrease in income taxes is due to lower profitability, and an increase in profits generated in countries with a lower overall tax rate.

YEAR 2000 COMPARED TO YEAR 1999

In 2000, the world economy and, in particular, the North American economy, performed very strongly. We achieved record net income of $293 million, compared with $205 million in 1999, before restructuring and other charges. This increase represents 43% year-on-year growth.

Revenue increased by $1,568 million, or 32%, in 2000, from $4,953 million in 1999 to $6,521 million. This increase was mainly due to the acquisition of World Color Press in August 1999. Cost of sales grew by 30% to $4,992 million, which was broadly in line with the growth in revenue, and reflects the World Color acquisition.

Gross margins improved from 22.3% in 1999 to 23.5% in 2000. This improvement was due to efficiencies being realized from the integration of World Color and the ongoing capital investment programs.

Depreciation and amortization costs increased from $286 million to $345 million due to the acquisition of World Color. Selling, general and administrative expenses likewise increased due to the acquisition of World Color. The 2000 expense of $459 million benefited from a $13 million gain from the sale of our CD-ROM replication business.

Financial expenses increased from $122 million in 1999 to $231 million in 2000 due to the increased debt levels incurred as a result of the World Color acquisition. The effective rate of income taxes fell from 28.4% to 27.8% in 2000 due to a different mix of international tax rates when compared to that in 1999.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Despite a difficult year, our market-leading position in most of our diversified markets ensures that we enjoy strong and stable cash flows. In 2001, free cash flow from operations was $287 million, resulting in a total of $1.6 billion over the last 3 years. This cash flow was used to make selective business acquisitions, pay down debt, and increase returns to shareholders through increased common share dividends and repurchase of shares for cancellation.

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities was $577 million in 2001, compared to

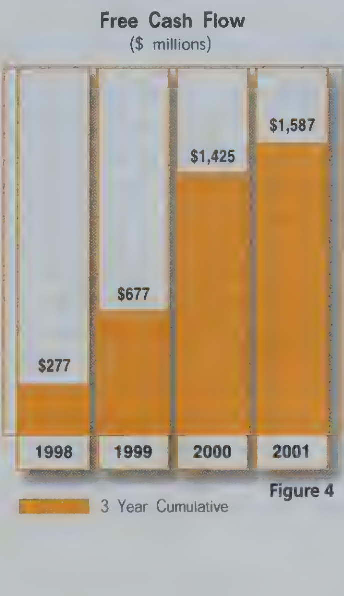


Figure 4

$918 million in 2000. This reduction in the amount of funds generated from operations is attributable to the timing of income tax payments, cash costs of restructuring and lower overall profitability.

Working capital in 2001 was ($194) million, compared to ($67) million in 2000. Accounts receivable days outstanding have fallen in the year, despite the difficult economic conditions in 2001, when compared to 2000. We invested in trade payables and accrued liabilities for most of the year in order to maximize benefits from supply chain initiatives, resulting in a decrease from the 2000 level of $1,155 million to $1,024 million. During the year, $80 million of cash costs were incurred in implementing the various integration and restructuring initiatives.

During the year a new European securitization program for accounts receivable was initiated for $124 million.

Normal Course Issuer Bids

Shares Repurchased		2000 Program	2001 Program	2000 and 2001 Combined
Number of Shares		3,188,492	3,543,700	6,732,192
Average Price per Share	Cdn$	36.05	40.57	38.43
	U.S.$	24.84	27.70	26.35
Total US$		**79,218,024**	**98,146,976**	**177,365,000**

Figure 5

FINANCING ACTIVITIES

During 2000 and 2001, we repurchased subordinate voting shares under our Normal Course Issuer Bid announced in April 2000 and April 2001. The chart above (figure 5) gives details of purchases made under both programs.

In February 2001, we issued in the Canadian capital markets a total of 8,000,000, 6.75%, Cumulative Redeemable First Preferred Shares, Series 4, at Cdn$25.00 ($16.27) per share, for aggregate proceeds of Cdn$200 million ($130 million). This financing initiative reinforced the capital structure for future growth.

In March 2001, in order to diversify funding sources, we issued Senior Notes for a principal amount of $250 million to a group of private U.S. investors. These mature on March 28, 2006 and bear interest at 7.2% annually.

In August 2001, we issued in the Canadian capital markets a total of 7,000,000, 6.90%, Cumulative Redeemable First Preferred Shares, Series 5, at Cdn$25.00 ($16.27) per share, for aggregate proceeds of Cdn$175 million ($114 million).

During 2001, we canceled the remaining balance of the $1.25 billion bank facility established at the time of the World Color merger.

In July 2000, we issued Senior Notes for a principal amount of $250 million comprised of two tranches. The first tranche of $175 million, bearing an interest rate of 8.42%, matures on July 15, 2010, while the second tranche of $75 million, bearing an interest rate of 8.52%, matures on July 15, 2012.

In September 2000, we issued Senior Notes for a principal amount of $121 million comprised of two tranches. The first tranche of $91 million bears interest at 8.54% and matures on September 15, 2015, while the second tranche of $30 million bears interest at 8.69% and matures on September 15, 2020.

Dividends paid to shareholders of Multiple Voting Shares and Subordinate Voting Shares totaled $0.46 per share, compared to $0.33 per share in 2000 and $0.28 per share in 1999, an increase of 39% over 2000 and 64% from 1999. We paid dividends of Cdn$1.25 per share on our First Preferred Shares, Series 2, in 2001, 2000 and 1999.

We paid dividends of Cdn$1.27 per share on our First Preferred Shares, Series 4, and Cdn$0.51 per share on our First Preferred Shares, Series 5.

CASH USED IN INVESTING ACTIVITIES

We invest in our business to improve efficiency, expand capacity, increase our geographic footprint and extend our product lines. During 2001, we invested $278 million on capital expenditure projects, compared to $242 million in 2000. Key expenditures included the following items:

- **North America**
  The installation of the world's largest web offset directory press, together with an expansion of our West Coast retail platform;

- **Europe**
  The expansion of our Spanish business in Barcelona, allowing us to

A strong balance sheet, debt-to-capitalization continues to improve.

enter the European directory market and the establishment of a direct mail facility in the United Kingdom;

- **Latin America**
  The building and commissioning of our Recife facility in Brazil and the expansion of our newly acquired directory business in Mexico.

In February 2001, we acquired a controlling interest in the Spanish pre-media company Espacio y Punto. This acquisition gives us a European pre-media platform to develop along the lines of those employed in North America under Que-Net Media™.

In March 2001, we acquired the minority interests of our subsidiaries in Argentina, Peru, and increased our shareholding in our Colombian Subsidiary.

In March 2001, we acquired a controlling interest in the Brazilian printer Grafica Melhoramentos. The Sao Paulo-based company prints trade and text books, magazines, directories and catalogs.

In July 2001, we acquired Retail Printing Corporation. The Massachussets-based printer, with its two plants in Taunton and Nashville (Tennessee), enhances our retail platform and allows us to provide printing services to retail and newspaper insert customers from coast to coast in the United States.

In August 2001, we acquired the manufacturing assets of Grupo Serla. This Mexican business is a primary printer of educational textbooks and a secondary printer of directories.

In September 2001, we entered into a binding agreement, pending regulatory approval, to purchase the printing, finishing and logistics assets of Hachette Filipacchi Medias in Europe. The assets include printing and bindery facilities in France and 50% ownership of Helio Charleroi in Belgium. We also secured a long-term contract to print Hachette publications in France.

In 2000, $44 million of net cash was generated from the proceeds of the sale of the operating assets of our North American CD-ROM replication business, $13 million from the disposal of our investment in MDC Communication Corporation and $24 million from disposal of buildings and other assets. In 2000, $13.5 million was invested in Nurun Inc, an affiliated company, in order to secure technology and achieve efficiencies in supply chain management.

FINANCIAL POSITION

We have succeeded in reducing debt levels during the year, and our debt-to-capitalization ratio currently stands at 46:54, from 47:53 in 2000 (figure 6). During 2000, our focus was on paying down debt. In 2001, this focus has been combined with repurchasing shares in order to increase shareholder's returns.

We believe that our liquidity, capital resources and cash flows from operations are sufficient to fund planned capital expenditures, working capital requirements, interest and principal payments for the foreseeable future. Our total principal payments on long-term debt and convertible notes are $57 million in 2002 and $23 million in 2003.

TOTAL DEBT-TO-CAPITALIZATION
($ millions except debt-to-capitalization ratio)

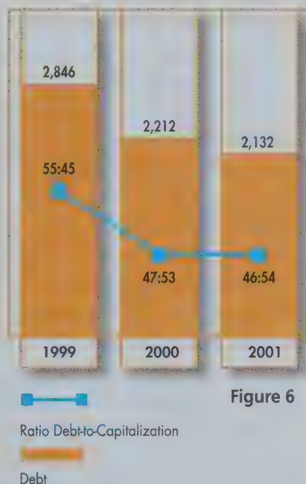


Figure 6

RESTRUCTURING

In 2001, due to the unprecedented economic fallout following September 11th, we announced that we would restructure our business with the aim of removing the least efficient equipment, without materially affecting the overall capacity of our platform. The restructuring and other charges required to achieve this goal total $273 million. The restructuring plan involves the closure of facilities, together with the rationalization of numerous other plants. We currently expect that this restructuring will generate $45 million annualized earnings improvement. The restructuring and other charges comprise the following three basic components:

- Cash costs relating to the severance of employees, real estate and other costs associated with exiting facilities;
- Non-cash costs of $114 million associated with the impairment of assets that will no longer be used in the business on an ongoing basis;

- Non-cash costs of $29 million associated with exiting investments and non-core businesses, together with cash costs of $15 million required in order to complete the World Color integration.

In 2000, we launched a restructured initiative of our European business and recorded a restructuring charge of $28 million; $3 million of this charge was not required and was reversed on the income statement in 2001. On the income statement in 2000, we also reversed $31 million of restructuring charges that were originally taken as part of the integration costs related to the World Color acquisition in 1999.

RISK MANAGEMENT

In the normal course of business, we are exposed to changes in interest rates and foreign exchange rates. We manage our interest rate exposure by having a balanced variety of debt maturities as well as a combination of fixed and floating rate obligations. In addition, we have entered into interest rate swap agreements to manage this exposure. Contracts outstanding at year end have a notional value of $993 million, of which $107 million is denominated in Cdn$ and $3 million is denominated in €. These contracts expire between March 2002 and January 2007.

We have also entered into foreign-exchange forward contracts and cross-currency interest rate swaps to hedge the settlement of raw materials and equipment purchases, to set the exchange rate for cross-border sales and to manage our foreign exchange exposure on certain liabilities. Foreign-exchange forward contracts and cross-currency interest rate swap contracts outstanding at year end have a notional value of $336 million and $162 million respectively, and expire between January 2002 and December 2004.

While the counterpart of these agreements exposes us to credit loss in the event of non-performance, we believe that the possibility of incurring such a loss is remote due to the credit worthiness of the parties with whom we deal. We do not hold or issue any derivative financial instruments for speculative purposes.

Concentrations of credit risk with respect to trade receivables are limited due to our diverse operations and large customer base. As of December 31, 2001, we had no significant concentrations of credit risk. We believe that the product and geographic diversity of our customer base is instrumental in reducing our credit risk, as well as having a positive impact on our local market or product-line demand. We have long-term contracts with most of our largest customers. These contracts generally include price-adjustment clauses based on the cost of paper, ink and labor. We do not believe that we are exposed to an unusual level of customer credit risk.

The primary raw materials used in our manufacturing process are paper and ink. We use our purchasing power as one of the major buyers in the printing industry to obtain among the best prices, terms, quality control and service. To maximize our purchasing power, we negotiate with a limited number of suppliers.

In 2001, we had 79 collective bargaining agreements in North America. Of this total, 26 agreements expired in 2001 and 8 are still under negotiation. In addition, 9 collective bargaining agreements, covering 2,130 employees, will expire in 2002. We have approximately 9,600 unionized employees in North America. Moreover, 60 of our plants in North America are non-unionized.

SEASONALITY

The operations of our business are seasonal, with approximately two-thirds of operating income historically recognized in the second half of the fiscal year, primarily due to the higher number of magazine pages, new product launches and back-to-school, retail and holiday catalog promotions.

EURO CONVERSION

During 2001, our European operations, affected by the new Euro currency, have systematically upgraded or replaced their information systems to ensure a smooth transition to the single European currency. The transition process was satisfactorily completed in January 2002, without major problems arising.

ENVIRONMENTAL MATTERS

During 2001, we have continued to strengthen our approach to environmental management. Six facilities have been awarded ISO 14001 certification, an internationally recognized environmental award. With the knowledge gained from these pilot facilities, we have introduced a new environmental Intranet site in three languages. This approach has underlined our leadership on environmental issues within the print media industry.

Energy and pollution control is at the heart of our commitment to the environment, and this has been particularly important in a year where energy costs have risen sig-

The restructuring initiatives position the Company for strong growth when world markets recover.

nificantly. We have accelerated our program of replacing existing recuperative thermal oxidizer equipment with newer, more efficient regenerative thermal oxidizer equipment. This equipment not only reduces emissions, but also significantly reduces energy consumption.

In Latin America, we are committed to ensuring that our facilities reach the same level of environmental performance as our North American and European sites. This commitment involves, among other things the installation of state-of-the-art technology to control air emissions.

RECENT ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

Significant differences between generally accepted accounting principles (GAAP) in Canada and the United States are presented in Note 21 to the Consolidated Financial Statements.

We generate more than 65% of our revenues and operating income from the United States. In our efforts to expand our investor base in the United States, we have made significant efforts in the last 2 years to follow new disclosure guidelines and to harmonize accounting pronouncements in both Canada and the United States.

In the 1st quarter of 2001, we adopted the new recommendations of the CICA regarding earnings per share. These new recommendations of CICA section 3500 harmonize the Canadian standards with the United States standards, Statement of Financial Accounting Standards (SFAS) No. 128. The standard requires the disclosure of the calculation of basic and diluted earnings per share and the use of the treasury stock method for calculating the dilutive impact of stock options. All earnings per share amounts disclosed for comparison have been restated. The impact of that change is presented in Note 2 to the Consolidated Financial Statements.

In March 2001, the CICA issued the Accounting Guideline (AcG) No. 12, Transfer of Receivable. The new recommendation applies to transfers after June 30, 2001, although application is permitted for transfers after March 31, 2001. We adopted the new recommendation prospectively. The new recommendation harmonizes the Canadian standards with the United States standards, SFAS No. 140. The effect of adopting the new recommendations did not have a significant impact on the consolidated balance sheets and the consolidated statements of income and shareholders' equity and cash flows as at December 31, 2001.

In the 3rd quarter of 2001, the CICA issued Section 1581, Business Combinations, and Section 3062, Goodwill and Other Intangible Assets, of the CICA handbook. These new recommendations harmonize the Canadian standards with the United States standards, SFAS No. 141 and No. 142 respectively. Under Section 1581, business combinations initiated after June 30, 2001 are accounted for as a purchase. For purchase business combinations that were consummated after June 30, 2001, goodwill and intangibles were recorded in accordance with Section 1581. In accordance with Section 3062, goodwill and intangible assets with indefinite useful lives are not amortized, but continue to be evaluated for impairment based on actual accounting standards. Other identified intangibles with estimated useful lives are amortized.

For purchase business combinations consummated on or before June 30, 2001, the accounting under Section 1580, Business Combinations, and under Section 3060, Capital Assets, has been applied. Such goodwill and separately identifiable intangibles are recorded and amortized until we adopt Section 3062, which must be applied by us for the fiscal year beginning on January 1, 2002. We are currently evaluating the impacts of adopting this pronouncement on the financial statements. Management currently believes there is no indication of impairment.

FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, the statements in this document are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecasted results. Those risks include, among others, changes in customer demand for our products, changes in raw material and equipment costs and availability, seasonal changes in customer orders, pricing actions by our competitors and general changes in economic conditions.

On behalf of Management,

Michael Young
Vice President, Corporate Controller

MANAGEMENT'S RESPONSIBILITY FOR

Financial Statements

The accompanying consolidated financial statements of Quebecor World Inc. and its subsidiaries and all the information in this Annual Report are the responsibility of management and are approved by the Board of Directors of Quebecor World Inc.

These financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles and include amounts that are based on best estimates and judgments. The financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

Management of the Company and of its subsidiaries, in furtherance of the integrity and objectivity of data in the financial statements, have developed and maintain systems of internal accounting controls and support a program of internal audit. Management believes that the systems of internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements included in this Annual Report principally through its Audit Committee, consisting solely of outside directors. The Audit Committee reviews the Company's annual consolidated financial statements and formulates the appropriate recommendations to the Board of Directors. The auditors appointed by the shareholders have full access to the Audit Committee, with and without management being present.

These financial statements have been examined by the auditors appointed by the shareholders, KPMG LLP, chartered accountants, and their report is presented hereafter.

Jean Neveu
Chairman of the Board

Christian M. Paupe
Executive Vice President,
Chief Financial Officer and
Chief Administrative Officer

Michael Young
Vice President,
Corporate Controller

Montreal, Canada
January 25, 2002

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Quebecor World Inc. and its subsidiaries as at December 31, 2001 and 2000 and the consolidated statements of income, shareholders' equity and cash flows for the years ended December 31, 2001, 2000 and 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years ended December 31, 2001, 2000 and 1999 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Montreal, Canada
January 25, 2002

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31
(in millions of US dollars, except per share amounts)

	Notes	2001	2000	1999
Revenues		**$ 6,320.1**	$ 6,521.1	$ 4,952.5
Operating expenses:				
Cost of sales		**4,878.9**	4,991.7	3,846.1
Selling, general and administrative	7(b)	**485.6**	459.5	347.9
Depreciation and amortization		**337.8**	345.1	286.0
		5,702.3	5,796.3	4,480.0
Operating income before restructuring and other charges		**617.8**	724.8	472.5
Restructuring and other charges	3	**270.0**	(2.7)	180.0
Operating income after restructuring and other charges		**347.8**	727.5	292.5
Financial expenses	4	**208.8**	231.5	122.2
Income before income taxes		**139.0**	496.0	170.3
Income taxes	5	**52.0**	137.7	48.4
Income before minority interest		**87.0**	358.3	121.9
Minority interest		**3.2**	2.4	12.7
Net income before goodwill amortization		**83.8**	355.9	109.2
Goodwill amortization, net of income taxes		**61.4**	60.5	31.7
Net income		**$ 22.4**	$ 295.4	$ 77.5
Net income available to holders of preferred shares		**21.9**	10.1	10.1
Net income available to holders of equity shares		**$ 0.5**	$ 285.3	$ 67.4
Earnings per share:	6			
Basic		**$ –**	$ 1.94	$ 0.54
Diluted		**$ –**	$ 1.91	$ 0.54
Earnings per share before goodwill amortization:				
Basic		**$ 0.44**	$ 2.35	$ 0.79
Diluted		**$ 0.43**	$ 2.31	$ 0.79
Average number of equity shares outstanding (in millions):	6			
Basic		**142.2**	147.0	125.4
Diluted		**143.0**	151.7	127.2

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31
(in millions of US dollars and thousands of shares)

	Note	Equity Multiple Voting Shares		Equity Subordinate Voting Shares		First Preferred Shares Series 2, 4 and 5	
		Issued and outstanding shares	Amount	Issued and outstanding shares	Amount	Issued and outstanding shares	Amount
Balance, December 31, 1998		63,985	$ 158.2	51,805	$ 527.4	12,000	$ 212.5
Net income		–	–	–	–	–	–
Translation adjustment	16	–	–	–	–	–	–
Conversion of Equity Multiple Voting Shares into Equity Subordinate Voting Shares		(1,000)	(6.0)	1,000	6.0	–	–
Issuance of treasury shares for cash	14	–	–	6,500	159.2	–	–
Shares issued in connection with the acquisition of World Color Press, Inc.	14	–	–	25,045	591.3	–	–
Shares issued from stock plans		–	–	340	5.2	–	–
Share issue expenses (net of income taxes of $5.6)	14	–	–	–	–	–	–
Convertible senior subordinated notes	13	–	–	–	–	–	–
Dividends on equity shares ($0.28 per share)		–	–	–	–	–	–
Dividends on preferred shares ($0.85 (Cdn $1.25) per share)		–	–	–	–	–	–
Balance, December 31, 1999		62,985	$ 152.2	84,690	$ 1,289.1	12,000	$ 212.5
Net income		–	–	–	–	–	–
Translation adjustment	16	–	–	–	–	–	–
Conversion of Equity Multiple Voting Shares into Equity Subordinate Voting Shares		(5,599)	(33.6)	5,599	33.6	–	–
Shares repurchased	14	–	–	(1,752)	(26.1)	–	–
Shares issued in connection with the acquisition of World Color Press, Inc.	14	–	–	11	0.2	–	–
Shares issued from stock plans	15	–	–	205	3.3	–	–
Convertible notes repurchased	13	–	–	–	–	–	–
Dividends on equity shares ($0.33 per share)		–	–	–	–	–	–
Dividends on preferred shares ($0.84 (Cdn $1.25) per share)		–	–	–	–	–	–
Balance, December 31, 2000		57,386	$ 118.6	88,753	$ 1,300.1	12,000	$ 212.5
Net income		–	–	–	–	–	–
Translation adjustment	16	–	–	–	–	–	–
Conversion of Equity Multiple Voting Shares into Equity Subordinate Voting Shares		**(2,650)**	**(5.9)**	**2,650**	**5.9**	–	–
Shares repurchased	14	–	–	**(6,732)**	**(96.7)**	–	–
Shares issued from stock plans	15	–	–	**777**	**14.7**	–	–
Issuance of First Preferred Shares Series 4	14	–	–	–	–	**8,000**	**130.2**
Issuance of First Preferred Shares Series 5	14	–	–	–	–	**7,000**	**113.9**
Share issue expenses (net of income taxes of $2.3)	14	–	–	–	–	–	–
Dividends on equity shares ($0.46 per share)		–	–	–	–	–	–
Dividends on preferred shares ($1.87 (Cdn $3.03) per share)		–	–	–	–	–	–
Balance, December 31, 2001		**54,736**	**$ 112.7**	**85,448**	**$ 1,224.0**	**27,000**	**$ 456.6**

See Notes to Consolidated Financial Statements.

Total capital stock	Additional paid-in capital	Retained earnings	Translation adjustment	Total shareholders' equity
$ 898.1	$ 88.7	$ 628.6	$ (51.9)	$ 1,563.5
–	–	77.5	–	77.5
–	–	–	(43.2)	(43.2)
–	–	–	–	–
159.2	–	–	–	159.2
591.3	–	–	–	591.3
5.2	–	–	–	5.2
–	–	(10.5)	–	(10.5)
–	20.8	–	–	20.8
–	–	(35.2)	–	(35.2)
–	–	(10.2)	–	(10.2)
$ 1,653.8	$ 109.5	$ 650.2	$ (95.1)	$ 2,318.4
–	–	295.4	–	295.4
–	–	–	(37.1)	(37.1)
–	–	–	–	–
(26.1)	–	(16.0)	–	(42.1)
0.2	–	–	–	0.2
3.3	–	–	–	3.3
–	(4.9)	(0.8)	–	(5.7)
–	–	(48.5)	–	(48.5)
–	–	(10.0)	–	(10.0)
$ 1,631.2	$ 104.6	$ 870.3	$ (132.2)	$ 2,473.9
–	**–**	**22.4**	**–**	**22.4**
–	**–**	**–**	**(14.3)**	**(14.3)**
–	**–**	**–**	**–**	**–**
(96.7)	**–**	**(80.7)**	**–**	**(177.4)**
14.7	**–**	**–**	**–**	**14.7**
130.2	**–**	**–**	**–**	**130.2**
113.9	**–**	**–**	**–**	**113.9**
–	**–**	**(4.5)**	**–**	**(4.5)**
–	**–**	**(65.2)**	**–**	**(65.2)**
–	**–**	**(20.5)**	**–**	**(20.5)**
$ 1,793.3	**$ 104.6**	**$ 721.8**	**$ (146.5)**	**$ 2,473.2**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31
(in millions of US dollars)

	Notes	2001	2000	1999
Operating activities:				
Net income		**$ 22.4**	$ 295.4	$ 77.5
Non-cash items in net income:				
Depreciation of property, plant and equipment		**314.9**	325.3	269.7
Amortization of goodwill and deferred charges		**84.3**	80.3	48.0
Non-cash portion of restructuring and other charges	3	**142.6**	(7.0)	111.3
Deferred income taxes	5	**(42.8)**	91.8	(8.7)
Loss (gain) on sale of businesses and investments		**–**	(12.6)	1.9
Other		**10.5**	12.5	8.2
Changes in non-cash balances related to operations:				
Trade receivables		**190.0**	128.6	175.8
Inventories		**77.2**	8.8	34.2
Trade payables and accrued liabilities		**(138.9)**	18.6	(44.9)
Other current assets and liabilities		**20.3**	(48.6)	33.0
Other non-current assets and liabilities		**(104.0)**	24.7	4.1
Cash provided from operating activities		**576.5**	917.8	710.1
Financing activities:				
Net change in bank indebtedness		**(2.3)**	(2.2)	(13.7)
Net proceeds from issuance of equity shares	14 & 15	**14.7**	2.9	153.9
Repurchases of shares for cancellation	14	**(177.4)**	(41.6)	–
Net proceeds from issuance of preferred shares	14	**239.6**	–	–
Issuance of long-term debt		**248.8**	387.3	1,082.7
Repayments of long-term debt and convertible notes		**(379.8)**	(995.1)	(841.9)
Dividends on equity shares		**(65.2)**	(48.5)	(35.2)
Dividends on preferred shares		**(20.5)**	(10.0)	(10.2)
Dividends to minority shareholders		**(1.5)**	–	(0.8)
Cash (used) provided from financing activities		**(143.6)**	(707.2)	334.8
Investing activities:				
Acquisitions of businesses, net of cash and cash equivalents	7	**(138.9)**	(5.3)	(923.2)
Proceeds from disposal of non-core businesses and investments		**–**	57.3	21.9
Additions to property, plant and equipment		**(278.3)**	(242.2)	(194.7)
Investment in an affiliated company		**–**	(13.5)	–
Net proceeds from disposal of other assets		**9.5**	24.4	25.5
Other		**(15.8)**	–	–
Cash used by investing activities		**(423.5)**	(179.3)	(1,070.5)
Effect of exchange rate changes on cash and cash equivalents		**23.4**	17.8	28.9
Net increase in cash and cash equivalents		**32.8**	49.1	3.3
Cash and cash equivalents, beginning of year		**52.7**	3.6	0.3
Cash and cash equivalents, end of year		**$ 85.5**	$ 52.7	$ 3.6

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

December 31
(in millions of US dollars)

	Notes	2001	2000
Assets			
Current assets:			
Cash and cash equivalents		$ **85.5**	$ 52.7
Trade receivables	8	**366.6**	584.1
Receivables from related parties	19	**1.9**	3.0
Inventories	9	**377.1**	461.4
Deferred income taxes	5	**58.0**	58.1
Prepaid expenses		**24.1**	26.0
Total current assets		**913.2**	1,185.3
Property, plant and equipment, net	10	**2,634.0**	2,683.0
Goodwill, net of accumulated amortization of $210.4 and $144.1 respectively		**2,470.7**	2,459.5
Other assets		**132.0**	156.9
Total assets		$ **6,149.9**	$ 6,484.7
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness		$ **0.1**	$ 3.1
Trade payables		**462.9**	632.6
Accrued liabilities		**561.2**	522.9
Income and other taxes payable		**26.5**	6.0
Current portion of long-term debt and convertible notes	11 & 13	**57.0**	87.2
Total current liabilities		**1,107.7**	1,251.8
Long-term debt	11	**1,961.9**	2,015.6
Other liabilities	12	**245.6**	290.8
Deferred income taxes	5	**234.0**	326.1
Convertible notes	13	**113.3**	105.9
Minority interest		**14.2**	20.6
Shareholders' equity:			
Capital stock	14	**1,793.3**	1,631.2
Additional paid-in capital		**104.6**	104.6
Retained earnings		**721.8**	870.3
Translation adjustment	16	**(146.5)**	(132.2)
		2,473.2	2,473.9
Total liabilities and shareholders' equity		$ **6,149.9**	$ 6,484.7

See Notes to Consolidated Financial Statements.

On behalf of the Board:

Jean Neveu, Director

Charles G. Cavell, Director

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of US dollars, except for earnings per share and options amounts)

1. Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of Quebecor World Inc. and all its subsidiaries (the "Company") and are prepared in conformity with Canadian generally accepted accounting principles. Significant differences between Canadian and the United States generally accepted accounting principles are described in Note 21.

(b) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments purchased three months or less from maturity and are stated at cost, which approximates market value.

(c) Foreign currency translation

Financial statements of self-sustaining foreign operations are translated using the rate in effect at the balance sheet date for assets and liabilities and the average exchange rates during the year for revenues and expenses. Adjustments arising from this translation are deferred and recorded in translation adjustment and are included in income only when a reduction in the investment in these foreign operations is realized.

Foreign currency transactions are translated using the temporal method. Translation gains and losses are included in income, except for unrealized gains and losses arising from the translation of long-term monetary liabilities which are deferred and amortized over the remaining life of the related item.

(d) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Financial results as determined by actual events could differ from those estimates.

(e) Derivative financial instruments

The Company uses various derivative financial instruments to reduce its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity pricing. The Company does not hold or issue any derivative financial instruments for speculative trading purposes. These derivative financial instruments are accounted for on an accrual basis. Realized and unrealized gains and losses are deferred and recognized in income in the same period and in the same financial statement category as the income or expense arising from the corresponding hedged positions.

(f) Inventories

Raw materials and supplies are valued at the lower of cost, as determined, using the first in, first out method, or market being replacement cost. Work in process is valued at the lower of cost and net realizable value.

1. Summary of significant accounting policies (cont'd)

(g) Property, plant and equipment

Property, plant and equipment are stated at cost. Cost represents acquisition or construction costs including preparation, installation and testing charges and interest incurred with respect to the property, plant and equipment until they are ready for commercial production.

Depreciation is provided using the straight-line basis over the estimated useful lives as follows:

Assets	Estimated useful lives
Buildings and leasehold improvements	15 to 40 years
Machinery and equipment	3 to 18 years

(h) Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses. Goodwill acquired on or before June 30, 2001 is amortized using the straight-line method over the expected period to be benefited which is 40 years. Goodwill, resulting from the purchase of business combinations that were consummated after June 30, 2001, is not amortized.

The Company monitors its goodwill balances to determine whether any impairment of these assets has occurred. Where circumstances or events indicate a possible inability to recover the carrying amount of goodwill related to a business acquisition, the Company evaluates, on an undiscounted basis, the current and estimated cash flows of the underlying businesses which gave rise to the goodwill.

(i) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are recognized for the estimated deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment, or substantive enactment, date. Deferred income tax assets are recognized and if realization is not considered "more likely than not," a valuation allowance is provided.

(j) Employee future benefits

I) Pensions

Pension costs are determined using actuarial methods and are funded through contributions determined in accordance with the projected benefit method pro rated on service. Pension expense is charged to operations and includes:

- The cost of pension benefits provided in exchange for employees' services rendered during the year;

- The amortization of the initial net transition asset on a straight-line basis over the expected average remaining service life of the employee group covered by the plans;

- The amortization of prior service costs and amendments over the expected average remaining service life of the employee group covered by the plans; and

- The interest cost of pension obligations, the return on pension fund assets, and the amortization of cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the benefit obligation or fair value of plan assets over the expected average remaining service life of the employee group covered by the plans.

1. Summary of significant accounting policies (cont'd)

(j) Employee future benefits (cont'd)

ii) Other postretirement benefits

The Company accrues the cost of postretirement benefits other than pensions. These benefits, which are funded by the Company as they become due, include life insurance programs and medical benefits. The Company amortizes the cumulative unrecognized net actuarial gains and losses in excess of 10% of the projected benefit obligation over the expected average remaining service life of the employee group covered by the plans.

(k) Stock option plans

The Company has compensation plans which are described in Note 15 (b). No compensation expense is recognized for these plans when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to capital stock.

(l) Trade receivables

Any gains or losses on the sale of trade receivables are calculated by comparing the carrying amount of the trade receivables sold to the total of the cash proceeds on sale and the fair value of the retained interest in such receivables on the date of transfer. Fair values are determined on a discounted cash flow basis. Costs including loss on sale related to the sale of accounts receivable are recognized in earnings in the period incurred and included in financial expenses.

(m) Revenue recognition

The Company provides a wide variety of print and print-related services and products to its customers, which usually require that the specifics be agreed upon prior to process. Sales are recognized by the Company either when the production process is completed or services are performed, or on the basis of production and service activity at the pro rata billing value of work completed.

(n) Environmental expenditures

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which are not expected to contribute to current or future operations are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are likely, and when the costs, based on a specific plan of action in terms of the technology to be used and the extent of the corrective action required, can be reasonably estimated.

(o) Reclassifications

Certain reclassifications have been made to prior years' amounts to conform with the basis of presentation adopted in the current year.

2. Accounting changes

The Company has made the following changes in accounting policies.

Earnings per share

In 2001, the Company has adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") dealing with earnings per share. These new recommendations of CICA handbook Section 3500 harmonizes the Canadian standard with the United States standards. The standard requires the disclosure of the calculation of basic and diluted earnings per share and the use of the treasury stock method for calculating the dilutive impact of stock options. All earnings per share amounts disclosed for comparison have been restated. This restatement did not have a significant impact on the diluted earnings per share, both before and after goodwill amortization, for each period presented.

2. Accounting changes (cont'd)

Transfer of receivables

In March 2001, the CICA issued the Accounting Guideline ("AcG") No. 12 Transfer of Receivables. The new recommendations apply to transfers after June 30, 2001, although application is permitted for transfers after March 31, 2001. The Company adopted the new recommendations prospectively. The new recommendations of CICA handbook AcG-12 harmonize the Canadian standards with the United States standards. The effect of adopting the new recommendations did not have a significant impact on the consolidated balance sheets and the consolidated statements of income and cash flows as at December 31, 2001.

Change in measurement date for pension and other postretirement benefits

In 2001, the Company elected to change the measurement date for pension and other postretirement benefits plan assets and liabilities from December 31st to September 30th, as permitted by Section 3461, Employee Future Benefits. This change had no significant effect on 2001 and prior years' pension expense.

Business combinations, goodwill and other intangible assets

In August 2001, the CICA issued Section 1581, Business Combinations, and Section 3062, Goodwill and Other Intangible Assets, of the CICA Handbook. Under Section 1581, business combinations initiated after June 30, 2001 are accounted for as a purchase. Also, the Section specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. For purchase business combinations that were consummated after June 30, 2001, goodwill and intangibles were recorded in accordance with Section 1581. In accordance with Section 3062, goodwill and intangible assets with indefinite useful lives are not amortized but continue to be evaluated for impairment based on actual accounting standards; other identified intangibles with estimated useful lives are amortized.

For purchase business combinations consummated on or before June 30, 2001, the accounting under Section 1580, Business Combinations, and under Section 3060, Capital Assets, have been applied. Such goodwill and separately identifiable intangibles are recorded and amortized until the Company adopts Section 3062, which must be applied by the Company for the fiscal year beginning on January 1, 2002. The Company has not completed the determination of the impact of the new standards.

3. Restructuring and other charges

2001 restructuring initiatives:

In response to difficult market conditions, the Company has committed itself to new restructuring initiatives aimed at eliminating non-competitive assets and consolidating the platform into fewer facilities. These initiatives focus the Company's efforts on reducing operating expenses and maximizing capacity utilization in larger and more specialized facilities.

Therefore, the Company has recorded restructuring and other charges of $273.2 million. The restructuring plan consists of $114.0 million relating primarily to property, plant and equipment impaired as a result of planned facilities closures, together with other associated closure costs, $115.5 million in workforce reduction costs resulting from planned closures and other headcount reductions and other restructuring charges, and $43.7 million of other related restructuring and exit costs.

The other special charges of $43.7 million include an additional charge of $13.1 million relating to an increase in costs associated with implementing the 1999 restructuring plan, to the costs of exiting unfavorable contracts, and the write-down of investments to their expected realizable value.

In 2001, the Company utilized $179.7 million of the restructuring and other charges which consisted of severance payments of $31.0 million for employees terminated during the year and other restructuring charges, $114.0 million for facility closings and $34.7 million for other special charges.

The Company foresees the 2001 restructuring plan to be substantially completed by September 2002.

3. Restructuring and other charges (cont'd)

1999 and 2000 restructuring initiatives:

In 1999, following the acquisition of World Color Press Inc ("WCP"), the Company initiated a program to realign its worldwide manufacturing capacity, consolidate its administrative offices, and streamline the Company's overhead structure in order to reduce operating expenses. The restructuring plan consisted of $99.8 million of property, plant and equipment impaired as a result of the decision to close several facilities; $63.3 million in workforce reduction costs arising from the facility closures and the consolidation of duplicated sales and administrative functions, and $16.9 million of other special charges.

In 2000, as a result of changing market conditions, and particularly strong growth in North American volumes, the Company decided not to implement some planned facility closures, but concluded that other restructuring initiatives relating to Europe, and its digital strategy should be recorded. These initiatives consisted of $10.1 million of asset write-downs, utilized in 2000, and $17.9 million of severance costs, of which $3.4 million was utilized in 2000.

Property, plant and equipment impaired in 1999 was $11.6 million, with $81.9 million impaired in 2000 and $16.4 million reversed. $9.3 million of other special charges were incurred in 1999, with the balance being utilized in 2000. Workforce reduction and other restructuring cash costs of $9.1 million were incurred in 1999, $41.5 million in 2000, with $12.3 million reversed and the balance being incurred in 2001.

In 2001, the Company utilized $12.7 million of restructuring and other charges which consisted of severance payments of $10.4 million for employees terminated during the year, and $2.3 million for facility closings.

These restructuring plans initiated in 1999 and 2000 have been substantially completed.

The following table sets forth the Company's 2001 restructuring reserve and activity against the reserves carried forward from 2000, and the 2001 reserve:

		Write-down of assets	Restructuring charges	Other special charges	Total
Balance as at December 31, 2000		$ –	$ 17.6	$ –	$ 17.6
New		114.0	115.5	43.7	273.2
Utilized in 2001	Cash	–	(31.0)	(6.1)	(37.1)
	Non-Cash	(114.0)	–	(28.6)	(142.6)
Reversal	Cash	–	(3.2)	–	(3.2)
Foreign currency changes		–	(0.4)	–	(0.4)
Balance as at December 31, 2001		$ –	$ 98.5	$ 9.0	$ 107.5

4. Financial expenses

	2001	2000	1999
Interest on long-term debt and convertible notes	$ **173.2**	$ 189.5	$ 122.8
Interest on short-term debt	**7.2**	6.2	3.9
Securitization fees	**28.9**	33.2	3.6
Amortization of deferred financing costs	**4.5**	8.3	1.6
Exchange gains	**(2.2)**	(2.2)	(3.6)
	211.6	235.0	128.3
Interest capitalized to the cost of equipment	**(2.8)**	(3.5)	(6.1)
	$ **208.8**	$ 231.5	$ 122.2
Cash interest payments	$ **199.7**	$ 228.1	$ 110.4

5. Income taxes

The domestic and foreign components of income before income taxes are as follows:

	2001	2000	1999
Domestic	$ **10.4**	$ 39.2	$ 33.3
Foreign	**128.6**	456.8	137.0
	$ **139.0**	$ 496.0	$ 170.3

Total income tax expense was allocated as follows:

	2001	2000	1999
Income taxes	$ **52.0**	$ 137.7	$ 48.4
Goodwill amortization	**(5.2)**	(3.7)	(0.8)
Goodwill, for initial recognition of acquired tax benefits that previously were included in the valuation allowance	**–**	–	(0.3)
Shareholders' equity:			
Share issue expenses	**(2.3)**	–	(5.6)
Dividends on preferred shares	**2.1**	–	–
	$ **46.6**	$ 134.0	$ 41.7

5. Income taxes (cont'd)

Income tax expense (recovery) attributable to income consists of:

	2001	2000	1999
Current:			
Domestic	**$ 50.8**	$ 10.8	$ 11.4
Foreign	**44.0**	35.1	45.7
	94.8	45.9	57.1
Deferred:			
Domestic	**(7.1)**	4.4	5.8
Foreign	**(35.7)**	87.4	(14.5)
	(42.8)	91.8	(8.7)
	$ 52.0	$ 137.7	$ 48.4

The following table reconciles the difference between the domestic statutory tax rate and the effective tax rate used by the Company in the determination of net income:

	2001	2000	1999
Domestic statutory tax rate	**40.4 %**	41.5%	42.2%
Effect of foreign tax rate differences	**(6.0)**	(13.5)	(14.4)
International rates	**34.4**	28.0	27.8
Increase (reduction) resulting from:			
Change in valuation allowance	**10.1**	(0.5)	(0.5)
Permanent differences	**(15.6)**	(2.8)	(1.9)
Large corporation and American state taxes	**5.7**	2.2	3.9
Other	**2.8**	0.9	(0.9)
Effective tax rate	**37.4 %**	27.8%	28.4%
Cash payments for income taxes	**$ 114.7**	$ 51.7	$ 46.4

5. Income taxes (cont'd)

The tax effects of significant items comprising the Company's net deferred tax liability are as follows:

	2001	2000
Deferred tax assets:		
Operating loss carryforwards	**$ 60.7**	$ 54.2
Tax credit carryforwards	**42.4**	46.9
Acquisition and restructuring reserves	**53.9**	49.4
Pension and postretirement benefits	**68.8**	60.5
Accrued compensation	**19.9**	35.6
Intangible assets	**1.0**	9.5
Other	**67.8**	68.1
Gross deferred tax assets	**314.5**	324.2
Deferred tax liabilities:		
Property, plant and equipment	**(328.1)**	(461.2)
Capital leases	**(28.9)**	(15.7)
Other	**(86.2)**	(80.4)
Gross deferred tax liabilities	**(443.2)**	(557.3)
Deferred tax asset valuation allowance	**(47.3)**	(34.9)
Net deferred tax liability	**(176.0)**	(268.0)
Less current portion deferred tax asset	**58.0**	58.1
Deferred tax liability	**$ (234.0)**	$ (326.1)

The 2001 and 2000 amounts above include a valuation allowance of $47.3 million and $34.9 million respectively, relating to loss carryforwards and other tax benefits available. The valuation allowance for deferred tax assets as of January 1, 2000 was $39.4 million. The net change in the total valuation allowance for the years ended December 31, 2001 and 2000 was explained by $14.1 million and $2.6 million respectively, allocated to income from operations.

Subsequent recognized tax benefits relating to the valuation allowance for deferred tax assets as of December 31, 2001 will be allocated as follows:

Income tax benefit that would be reported in the consolidated statement of income	$ 26.1
Goodwill	21.2
	$ 47.3

At December 31, 2001, the Company had net operating loss carryforwards for income tax purposes available to reduce future taxable income of $82.1 million, expiring from 2003 to 2011 and $97.4 million which can be carried forward indefinitely. The Company also has state net operating losses and tax credits of $140.0 million in the United States, which expire from 2002 to 2020, and federal alternative minimum tax credits of $43.3 million in the United States which can be carried forward indefinitely.

The Company has not recognized a deferred tax liability for the undistributed earnings of its subsidiaries in the current and prior years because the Company currently does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future. A deferred tax liability will be recognized when the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. Such liability is not reasonably determinable at the present time.

6. Earnings per share

Basic earnings per share are calculated by dividing net income available to holders of equity shares by the weighted daily average number of equity shares outstanding during the year. Net income available to holders of equity shares is computed by subtracting dividends on the preferred shares from net income.

6. Earnings per share (cont'd)

Diluted earnings per share are calculated by using the weighted average number of equity shares outstanding adjusted to include potentially dilutive effect of convertible notes and stock options.

The following table sets forth the computation of basic and diluted earnings per share:

		2001		2000		1999
Net income available to holders of equity shares	**$**	**0.5**	$	285.3	$	67.4
Income impact on assumed conversion of convertible notes, net of applicable income taxes		**–**		4.5		1.0
Net income adjusted for dilution effect	**$**	**0.5**	$	289.8	$	68.4
(In millions)						
Weighted average of equity shares outstanding		**142.2**		147.0		125.4
Effect of dilutive convertible notes and stock options		**0.8**		4.7		1.8
Weighted average of diluted equity shares outstanding		**143.0**		151.7		127.2
Basic earnings per share	**$**	**–**	$	1.94	$	0.54
Diluted earnings per share	**$**	**–**	$	1.91	$	0.54

In 2001, diluted net income available to holders of equity shares does not include the effects of the convertible notes as the effect of their inclusion is anti-dilutive.

7. Business acquisitions and disposals

(a) Acquisitions

During the years ended December 31, 2001, 2000 and 1999, the Company acquired the following businesses, which have been accounted for by the purchase method, and earnings are included in the consolidated statements of income since the date of acquisition.

2001

In February 2001, the Company acquired a 70% controlling interest in Espacio Y Punto, in Spain, for a cash consideration of $8.2 million.

In March 2001, the Company acquired a 75% controlling interest in Grafica Melhoramentos, in Brazil, for a cash consideration of $3.3 million.

In March 2001, the Company also acquired minority interests in its Latin American operations for a cash consideration of $15.0 million, a convertible subordinated debenture of $6.0 million and a promissory note of $2.0 million.

In July 2001, the Company acquired Retail Printing Corporation, in Massachusetts, United States, to expand its North American retail network for a cash consideration of $97.6 million. The allocation purchase price process was not completed as at December 31, 2001 and the amounts assigned to the assets and liabilities may be adjusted subsequently.

In August 2001, the Company purchased manufacturing assets of Grupa Serla, in Mexico, for a cash consideration of $13.0 million.

During the year, the Company also completed other business acquisitions complementary to its operations for a cash consideration of $1.8 million.

Goodwill recognized in those transactions amounted to $98.7 million and was assigned to the North America, Europe and Latin America segments in the amounts of $85.7 million, $8.4 million and $4.6 million, respectively.

2000

During 2000, the Company completed the purchase price allocation and adjusted the assets and liabilities acquired of WCP by $78.6 million. The adjustment related to the impairment of assets resulted in a write-off of $52.1 million. Other costs included $21.3 million for plant shutdowns, $7.3 million related to workers' compensation which was based on underestimated claims, $21.2 million for contract termination and write-down of related assets and $23.3 million for other reserves recorded at acquisition. The tax impact on these adjustments was $46.6 million.

7. Business acquisitions and disposals (cont'd)

(a) Acquisitions (cont'd)

2000 (cont'd)

During 2000, the Company paid an amount of $1.0 million for the adjustment in the purchase price of prior years' business acquisitions in the United States and in Peru. This amount was accounted for as an increase of goodwill. In addition, the Company acquired the remaining minority interest in Inter-Routage in France for an amount of $4.3 million.

1999

In 1999, the Company acquired WCP for a purchase price of $1.5 billion and the transaction took place as follows:

On July 12, 1999, the Company, through an indirect wholly-owned subsidiary, Printing Acquisition Inc. ("Acquisition Inc.") entered into a merger agreement with WCP. On July 16, 1999, the Company, through Acquisition Inc., commenced a cash tender offer to acquire up to 23.5 million shares of WCP's common shares at a price of $35.69 per share. On August 20, 1999, the Company acquired, pursuant to the cash tender offer, 19.2 million or 50.4% of WCP's outstanding common shares for a consideration of $684.5 million.

On October 8, 1999, Acquisition Inc. and WCP merged after approval thereof at a special meeting of WCP's shareholders. The remaining 49.6% of the outstanding common shares of WCP were converted into 1.2685 Subordinate Voting Shares of the Company and $8.18 in cash per WCP share. In addition, each 6% convertible senior subordinated note due 2007 became convertible into the number of the Company's Subordinate Voting Shares and cash that would have been received if such note had been converted prior to October 8, 1999.

The cash portion of the shares purchased totalling $853.4 million was financed through a drawdown on the $1.25 billion acquisition bank facility combined with drawdowns on the Company's existing revolving bank facility.

In March 1999, the Company acquired Cayfo S.A., a company located in Spain, for a cash consideration of $43.3 million and a purchase price balance of $27.0 million.

During the third quarter of 1999, the Company completed the acquisition of Oberndorfer Druckerei, in Austria, for a cash consideration of $13.1 million and a purchase price balance amounting to $33.5 million.

In 1999, the Company completed several business acquisitions complementary to its operations in North America and Latin America, including the payment of contingent considerations totalling $13.4 million.

Net assets acquired at fair value:

	2001	2000	1999
Assets acquired:			
Non-cash operating working capital	$ **3.4**	$ –	$ 562.9
Property, plant and equipment	**73.8**	(56.5)	929.4
Goodwill	**98.7**	71.2	1,943.6
Other assets	**0.8**	(8.3)	62.2
Deferred income taxes	**–**	57.7	21.3
Minority interest	**7.2**	2.3	10.1
Liabilities assumed:			
Bank indebtedness	**2.3**	–	8.4
Non-cash operating working capital deficiency	**–**	32.0	527.7
Long-term debt	**31.2**	–	1,134.4
Other liabilities	**0.4**	33.4	119.6
Deferred income taxes	**3.1**	–	1.7
Convertible notes	**–**	(4.3)	136.8
Minority interest	**–**	–	5.0
Net assets acquired	$ **146.9**	$ 5.3	$ 1,595.9
Consideration:			
Cash	$ **138.9**	$ 5.3	$ 923.2
Issuance of convertible subordinated debenture and promissory note	**8.0**	–	–
Purchase price balance	**–**	–	60.6
Equity portion of convertible note	**–**	–	20.8
Subordinate Voting Shares issued	**–**	–	591.3
	$ **146.9**	$ 5.3	$ 1,595.9

7. Business acquisitions and disposal (cont'd)

(b) Disposals

2000

In August 2000, the Company sold the operating assets of its North American CD-Rom replication business for a total consideration of $68.0 million. The sale price was comprised of $47.0 million of cash and $21.0 million in special warrants and promissory notes convertible into the buyer's, Q-Media Services Corporation, shares. The Company realized a gain amounting to $13.4 million which was recorded as a reduction of selling, general and administrative expenses.

1999

In October 1999, the Company sold the operating assets of its BA Banknote Division for a total cash consideration of $18.0 million. The Company realized a loss amounting to $1.9 million which is included in restructuring and other charges.

In 1999, the Company sold its investment in Communications Quebecor inc. for a cash consideration of Cdn $5.1 million ($3.4 million).

8. Trade receivables

Asset securitization

During 2001, the Company sold a portion of its Canadian trade receivables on a revolving basis under the terms of a Canadian securitization agreement dated March 1998 (the "Canadian Program"). The Canadian Program limit is Cdn $125.0 million ($78.6 million). As at December 31, 2001, the amount outstanding under the Canadian Program was Cdn $116.0 million ($72.9 million) (Cdn $108.0 million ($72.0 million) as at December 31, 2000).

During 2001, the Company also sold a portion of its US trade receivables on a revolving basis under the terms of a US securitization agreement dated December 1999 (the "US Program"). The US Program limit is $510.0 million. As at December 31, 2001, the amount outstanding under the US Program was $500.0 million ($500.0 million as at December 31, 2000).

In June 2001, the Company entered into an agreement to sell, on a revolving basis, a portion of its French and Spanish trade receivables (the "European Program"). The European Program limit is 153.0 million Euro ($135.1 million). As at December 31, 2001, the amount outstanding under the European Program was 140.4 million Euro ($124.1 million).

The Company has retained the responsibility for servicing, administering and collecting trade receivables sold. No servicing asset or liability has been recorded, since the fees the Company receives for servicing the receivables approximate the related costs.

Securitization fees vary based on commercial paper rates in Canada, the United States and Europe and, generally, provide a lower effective funding cost than available under the Company's bank facilities.

Cash flows received from securitization amounted to $125.0 million in 2001 and $102.7 million in 2000.

9. Inventories

		2001		2000
Raw materials and supplies	$	**203.1**	$	244.7
Work in process		**174.0**		216.7
	$	**377.1**	$	461.4

10. Property, plant and equipment

		Cost		Accumulated depreciation		Net book value
December 31, 2001						
Land	$	**81.3**	$	**–**	$	**81.3**
Buildings and leasehold improvements		**729.4**		**147.8**		**581.6**
Machinery and equipment		**3,181.7**		**1,355.9**		**1,825.8**
Projects under development		**145.3**		**–**		**145.3**
	$	**4,137.7**	$	**1,503.7**	$	**2,634.0**
December 31, 2000						
Land	$	85.6	$	–	$	85.6
Buildings and leasehold improvements		746.5		123.0		623.5
Machinery and equipment		2,976.6		1,139.3		1,837.3
Projects under development		136.6		–		136.6
	$	3,945.3	$	1,262.3	$	2,683.0

As at December 31, 2001, the cost of property, plant and equipment and the corresponding accumulated depreciation balance included amounts of $292.5 million ($269.5 million as at December 31, 2000) and $148.8 million ($130.5 million as at December 31, 2000) respectively, for the assets held under capital leases. Depreciation expenses of property, plant and equipment held under capital leases amounted to $17.5 million in 2001 ($16.0 million in 2000 and $18.4 million in 1999).

11. Long-term debt

	Maturity		2001		2000
Revolving bank facility $1.0 B (a)	2005-2007	$	**267.9**	$	374.6
Commercial paper (b)	2005-2007		**147.0**		215.0
Acquisition bank facility (c)	2002		**-**		125.0
Senior debentures 7.25% (d)	2007		**150.0**		150.0
Senior debentures 6.50% (e)	2027		**150.0**		150.0
Senior Notes 8.375% (f)	2008		**258.6**		258.8
Senior Notes 7.75% (g)	2009		**291.7**		290.5
Senior Notes 8.42% and 8.52% (h)	2010, 2012		**250.0**		250.0
Senior Notes 8.54% and 8.69% (i)	2015, 2020		**121.0**		121.0
Senior Notes 7.20% (j)	2006		**250.0**		-
Other debts and capital leases (k)	2002-2011		**132.7**		119.9
			2,018.9		2,054.8
Less current portion			**57.0**		39.2
		$	**1,961.9**	$	2,015.6

11. Long-term debt (cont'd)

(a) In April 2001, the Company extended for an additional year its existing revolving bank facility composed of three tranches. The first tranche of $250.0 million matures in 2005, the second tranche of $250.0 million matures in 2006, while the third tranche of $500.0 million matures in 2007. The Company paid fees for the unused portion of $0.9 million in 2001 ($1.0 million in 2000). The credit agreement contains certain restrictions, including the obligation to maintain certain financial ratios. The facility can be used for general corporate purposes and as liquidity back-up for the Company's commercial paper program.

The revolving bank facility bears interest at variable rates based on LIBOR or Bankers' Acceptances rates. At December 31, 2001, the drawings under this facility are denominated in US dollars only and bear interest at rates ranging from 2.76% to 3.04%.

(b) At December 31, 2001, Cdn $226.3 million ($142.3 million) (Cdn $307.3 million ($204.9 million) as at December 31, 2000) and $4.7 million ($10.1 million as at December 31, 2000) of notes are outstanding under the Commercial paper program bearing interest at rates ranging from 2.3% to 4.0% in Canadian dollars and 3.4% to 3.75% in dollars. In June 2001, the program limit was increased from $250.0 million to $350.0 million. At the same time, the Company obtained a new $100.0 million bank facility maturing in June 2002 to provide liquidity back-up for the additional amount. At December 31, 2001, the Commercial paper program was classified as long-term, since the Company has the ability and the intent to maintain such debt on a long-term basis and has long-term bank facilities available (see (a) above) to replace such debt, if necessary.

(c) In 1999, the Company had negotiated and obtained two additional credit facilities for a total initial limit of $1,250.0 million to finance the acquisition of WCP. Those facilities consisted of a revolving credit facility of $450.0 million maturing in August 2002, also available for general corporate purposes, and a term loan of $800.0 million. At the request of the Company, a portion of $150.0 million of the term loan was cancelled in December 1999, while the remaining was reimbursed and cancelled during 2000. The revolving credit facility was cancelled in 2001. The Company paid fees for the unused portion of $0.2 million ($0.4 million in 2000).

(d) The senior debentures mature on January 15, 2007.

(e) The senior debentures mature on August 1, 2027 and are redeemable at the option of the holder at their par value on August 1, 2004.

(f) The Senior Notes mature on November 15, 2008 and are redeemable at the option of the Company at a decreasing premium between November 2003 and November 2006, and thereafter at par value until their final maturity. The notes were issued by WCP for an original aggregate principal of $300.0 million. They were subsequently revalued in order to reflect their fair value at the time WCP was acquired, based on the Company's borrowing rate for similar financial instruments. During 2000, the Company repurchased in the open market $42.4 million face value thereof. The aggregate principal amount of the notes, as at December 31, 2001, is $257.6 million ($257.6 million as at December 31, 2000). In August 2001, the Company obtained the consent from the noteholders to generally conform the restrictions on the Notes with the Company's other Senior Public Debentures. At the same time, the Notes which were Senior Subordinated Notes became Senior Notes.

(g) The Senior Notes mature on February 15, 2009. The aggregate principal amount of the notes is $300.0 million and the notes are redeemable at the option of the Company at a decreasing premium between February 2004 and February 2007, and thereafter at par value until their final maturity. The notes were issued by WCP and revalued in order to reflect their fair value at the time WCP was acquired based on the Company's borrowing rate for similar financial instruments. In August 2001, the Company obtained the consent from the noteholders to generally conform the restrictions on the Notes with the Company's other Senior Public Debentures. At the same time, the Notes which were Senior Subordinated Notes became Senior Notes.

(h) In July 2000, the Company issued Senior Notes for a principal amount of $250.0 million comprised of two tranches. The first tranche of $175.0 million matures on July 15, 2010 while the second tranche of $75.0 million matures on July 15, 2012. These notes contain certain restrictions which are generally less restrictive than those on the revolving bank facility.

(i) In September 2000, the Company issued Senior Notes for a principal amount of $121.0 million comprised of two tranches. The first tranche of $91.0 million matures on September 15, 2015 and the second tranche of $30.0 million matures on September 15, 2020. These notes contain certain restrictions which are generally less restrictive than those of the revolving bank facility.

(j) In March 2001, the Company issued Senior Notes for a principal amount of $250.0 million maturing in March 2006. A portion of $33.0 million of the Notes bears a floating interest rate, but has been swapped to fixed at the same rate as the coupon on the fixed rate portion. These Notes contain certain restrictions which are generally less restrictive than those on the revolving bank facility.

(k) Other debts and capital leases are partially secured by assets. An amount of $38.6 million ($63.9 million as at December 31, 2000) is denominated in Euro currency, an amount of $18.8 million (nil as at December 31, 2000) is denominated in British pounds and an amount of $5.1 million ($7.0 million as at December 31, 2000) in Swedish krona. At December 31, 2001, these debts and capital leases bear interest at rates ranging from 0% to 10.5%.

The Company was in compliance with all significant debt covenants at December 31, 2001.

11. Long-term debt (cont'd)

Principal repayments on long-term debt are as follows:

2002	$	57.0
2003		22.5
2004		17.3
2005		10.5
2006		257.1
2007 and thereafter		1,654.5

12. Other liabilities

		2001		2000
Pension liability	$	**72.7**	$	78.5
Postretirement benefits		**65.6**		67.4
Reserve for unfavourable leases acquired		**42.3**		52.8
Workers' compensation accrual		**24.0**		27.6
Reserve for environmental matters		**16.8**		17.7
		221.4		244.0
Other		**24.2**		46.8
	$	**245.6**	$	290.8

13. Convertible notes

	Maturity		2001		2000
Convertible senior subordinated notes 6.00% (a)	2007	$	**107.3**	$	105.9
Convertible subordinated debentures 7.00% (b)	2004		**6.0**		–
Convertible debentures of a subsidiary (c)	2001		**–**		48.0
			113.3		153.9
Less current portion			**–**		48.0
		$	**113.3**	$	105.9

(a) The convertible senior subordinated notes mature on October 1, 2007. The notes were issued by WCP and revalued in order to reflect their fair value at the time WCP was acquired based on the Company's borrowing rate for similar financial instruments. The equity component of the notes, which corresponds to the option of the holder to convert the notes into equity shares of the Company, was valued at the date of acquisition and classified as additional paid-in capital. Since the acquisition of WCP by the Company, each $1,000 tranche is convertible into 30.5884 Subordinate Voting Shares of the Company which corresponds to a price of $26.24 per share and $197.25 in cash. The notes are convertible at the option of the holder at any time, and redeemable at the option of the Company at a decreasing premium from October 2000 to the final maturity. Certain conditions apply to a redemption between October 2000 and October 2002. Pursuant to the terms of the convertible notes, the Company repurchased $7.6 million of the notes in 1999 following a tender offer at par for 100% of the face value of $151.8 million. The Company subsequently repurchased notes in the open market in 2000 for the principal amount of $24.7 million thereof. The aggregate principal amount of the notes, as at December 31, 2001, is $119.5 million ($119.5 million as at December 31, 2000). The number of equity shares to be issued upon conversion of the convertible notes would be 3,656,201.

(b) In March 2001, a subsidiary of the Company issued convertible subordinated debentures maturing in May 2004. These debentures are convertible in subordinate voting shares of the Company at a conversion price of $25.00 per share. The debentures are not redeemable prior to maturity. The aggregate principal of the debentures, as at December 31, 2001, is $6.0 million. The number of equity shares to be issued upon conversion of the debentures would be 240,000.

13. Convertible notes (cont'd)

(c) A French subsidiary of the Company reimbursed in December 2001 the convertible debentures which had been issued, at the time of its acquisition in 1995. The total amount of convertible debentures outstanding as at December 31, 2000 was FF 344.0 million ($48.0 million).

14. Capital stock

(a) Authorized capital stock

Equity shares:

Multiple Voting Shares, authorized in an unlimited number, without par value, carrying ten votes per share, convertible at any time into Subordinate Voting Shares on a one-to-one basis.

Subordinate Voting Shares, authorized in an unlimited number, without par value, carrying one vote per share.

Preferred shares, authorized in an unlimited number, without par value, issuable in series; the number of preferred shares in each series and the related characteristics, rights and privileges are to be determined by the Board of Directors prior to each issue.

The First Preferred Shares Series 2 are entitled to a fixed cumulative preferential cash dividend of Cdn $1.25 per share per annum, payable quarterly from March 1, 1998 to November 30, 2002, if declared. Thereafter, the annual dividend will be a floating adjustable cumulative preferential cash dividend based on prime rate and payable on a monthly basis, if declared.

These preferred shares are redeemable in whole but not in part, at the Company's option, on December 1, 2002 at Cdn $25.00 per share and, subsequent to December 1, 2002, at Cdn $25.50. After December 1, 2002, these preferred shares may be converted into Series 3 cumulative redeemable First Preferred Shares under certain conditions.

The Series 3 cumulative redeemable First Preferred Shares will be entitled to a cumulative fixed dividend set by the Company for a five-year period determined before the first initial quarterly dividend which would begin on December 1, 2002. These shares also will have redemption and conversion characteristics similar to the First Preferred Shares Series 2.

The First Preferred shares Series 4 are entitled to a fixed cumulative preferential cash dividend of Cdn $1.6875 per share per annum, payable quarterly, if declared. On and after March 15, 2006, these preferred shares are redeemable at the option of the Company at Cdn $25.00, or with regulatory approval, the preferred shares may be converted into equity shares by the Company. On and after June 15, 2006, these preferred shares may be convertible at the option of the holder into equity shares, subject to the right of the Company prior to the conversion date to redeem for cash or find substitute purchasers for such preferred shares.

The First Preferred shares Series 5 are entitled to a fixed cumulative preferential cash dividend of Cdn $1.7250 per share per annum, payable quarterly, if declared. On and after December 1, 2007, these preferred shares are redeemable at the option of the Company at Cdn $25.00, or with regulatory approval, the preferred shares may be converted into equity shares by the Company. On and after March 1, 2008, these preferred shares may be convertible at the option of the holder into equity shares, subject to the right of the Company prior to the conversion date to redeem for cash or find substitute purchasers for such preferred shares.

Each series of Preferred Shares ranks on a parity with every other series of Preferred Shares.

(b) Issued and outstanding Subordinate Voting Shares

In 1999, the Company issued 6,500,000 Subordinate Voting Shares for a cash consideration of Cdn $234.0 million ($159.2 million) before share issue expenses of Cdn $9.9 million ($6.7 million) recorded as a reduction of retained earnings.

Pursuant to the acquisition of WCP (note 7), the Company issued 10,927 Subordinate Voting Shares in 2000 in addition to the 25,045,200 issued in 1999 for a value determined at $23.61 per share based on an average market price before and after the date of the transaction. There were no share issue expenses in 2000 ($9.4 million in 1999) recorded as a reduction of retained earnings.

14. Capital stock (cont'd)

(c) Issued and outstanding First Preferred Shares

In February 2001, the Company issued 8,000,000 First Preferred Shares Series 4 for a cash consideration of Cdn $200.0 million ($130.2 million) before share issue expenses of Cdn $4.8 million ($3.1 million) recorded as a reduction of retained earnings.

In August 2001, the Company issued 7,000,000 First Preferred Shares Series 5 for a cash consideration of Cdn $175.0 million ($113.9 million) before share issue expenses of Cdn $5.7 million ($3.7 million) recorded as a reduction of retained earnings.

(d) Share repurchase program

In 2000, the Company initiated a normal course issuer bid for a maximum of 8,000,000 Subordinate Voting Shares over the period from April 6, 2000 to April 5, 2001. During 2001, under this normal course issuer bid program, the Company had repurchased for cancellation 3,188,492 Subordinate Voting Shares for a net cash consideration of Cdn $114.9 million ($79.2 million). As at December 31, 2000, the Company had repurchased for cancellation 1,751,508 Subordinate Voting Shares for a net cash consideration of Cdn $59.2 million ($41.6 million).

In 2001, the Company initiated another normal course issuer bid for a maximum of 8,800,000 Subordinate Voting Shares over the period from April 6, 2001 to April 5, 2002. As at December 31, 2001, the Company had repurchased for cancellation 3,543,700 Subordinate Voting Shares for a net cash consideration of Cdn $143.8 million ($98.2 million). As at December 31, 2001, the Company had committed to repurchase a total of 148,500 shares in January 2002 at settlement prices averaging Cdn $35.25 ($23.94) per share.

15. Stock plans

(a) Employee share plans

In 2000, the Company adopted an Employee Stock Purchase Plan ("Plan") in the United States effective January 1, 2001. The number of shares that may be issued and sold under the Plan is limited to 2,000,000 Subordinate Voting Shares, subject to adjustments in the event of stock dividends, stock splits and similar events. The purpose of the Plan is to give eligible employees in the United States the opportunity to acquire shares of the Company's capital stock for up to 4% of their gross salaries and to have the Company contribute, on the employees' behalf, a further amount equal to 17.5% of the total amount invested by the employee. At December 31, 2001, 6,372 employees were participating in the plan. The total number of plan shares issued on behalf of employees, including the Company's contribution, was 270,843 in 2001, which represents compensation expenses amounting to $1.0 million in 2001.

Effective September 1, 1998, an Employee Share Investment Plan ("ESIP") was implemented giving eligible employees in Canada the opportunity to subscribe for up to 4% of their gross salaries to purchase shares of the Company's capital stock and to have the Company invest, on the employee's behalf, a further 20% of the amount invested by the employee. At December 31, 2001, 2,072 employees (2,038 at December 31, 2000) were participating in the plan. The total number of ESIP shares issued on behalf of employees, including the Company's contribution, was 120,494 in 2001, 121,975 in 2000 and 87,270 in 1999, which represents compensation expenses amounting to $0.4 million in 2001 and $0.3 million in 2000 and $0.1 million in 1999.

(b) Stock option plans

Under stock option plans, a total of 8,125,992 Subordinate Voting Shares have been reserved for plan participants. As of December 31, 2001, the number of Subordinate Voting Shares related to the stock options outstanding is 4,563,330. The subscription price is equal to the share market price at the date the options were granted. The options may be exercised during a period not exceeding ten years from the date they have been granted.

15. Stock plans (cont'd)

(b) Stock option plans (cont'd)

The number of stock options outstanding fluctuated as follows:

	2001		2000	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of year	**4,297,478**	**$ 19.73**	4,127,254	$ 19.82
Issued	**651,276**	**22.01**	252,495	20.68
Exercised	**(385,424)**	**12.91**	(82,271)	7.77
Balance, end of year	**4,563,330**	**$ 20.07**	4,297,478	$ 19.73
Options exercisable, end of year	**2,444,969**	**$ 19.05**	1,897,680	$ 17.83

The following table summarizes information about stock options outstanding at December 31, 2001:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 9 - $ 12	170,084	2.6	$ 10.44	170,084	$ 10.44
$ 12 - $ 15	247,509	5.3	14.13	177,184	14.04
$ 15 - $ 18	784,784	6.0	16.77	637,095	16.74
$ 18 - $ 21	739,922	7.2	20.19	421,645	20.29
$ 21 - $ 24	2,621,031	8.0	22.21	1,038,961	22.23
	4,563,330	7.2	$ 20.07	2,444,969	$ 19.05

16. Translation adjustment

The change in the translation adjustment included in shareholders' equity is the result of the fluctuation of the exchange rates on translation of net assets of self-sustaining foreign operations not denominated in US dollars.

17. Financial instruments and concentrations of credit risk

(a) Fair value of financial instruments

The carrying values of cash and cash equivalents, trade receivables, bank indebtedness, trade payables and accrued liabilities approximate their fair values because of the short-term nature of these items.

The following table summarizes the book value and fair value at December 31, 2001 and 2000 of those financial instruments having a fair value different from their book value as at December 31. The fair values of the financial liabilities are estimated based on discounted cash flows using year-end market yields of similar instruments having the same maturity. The fair values of the derivative financial instruments are estimated using year-end market rates, and reflect the amount that the Company would receive or pay if the instruments were closed out at these dates.

17. Financial instruments and concentrations of credit risk (cont'd)

(a) Fair value of financial instruments (cont'd)

	2001		[illegible]	
	Book Value	**Fair Value**	Book Value	Fair Value
Financial liabilities				
Long-term debt [1]	**$ (2,018.9)**	**$ (2,073.9)**	$ (2,054.8)	$ (2,056.4)
Convertible notes [1]	**(113.3)**	**(119.5)**	(153.9)	(159.1)
Derivative financial instruments				
Interest rate swap agreements	**–**	**(11.7)**	–	(0.1)
Foreign exchange forward contracts	**–**	**(17.5)**	–	(10.7)
Cross currency interest rate swaps	**–**	**3.0**	–	1.3
Commodity swaps	**–**	**(1.7)**	–	–
Equity forwards	**–**	**–**	–	1.3

[1] Including current portion

(b) Foreign exchange risk management

The Company enters into foreign exchange forward contracts and cross-currency interest rate swaps to hedge the settlement of raw materials and equipment purchases, to set the exchange rate for cross-border sales and to manage its foreign exchange exposure on certain liabilities. The amounts of outstanding contracts at year-end, presented by currency, are included in the tables below:

Foreign exchange forward contracts

	2001		[illegible]	
Currencies (sold / bought)	**Notional amounts [2]**	**Average rate**	Notional amounts [2]	Average rate
$ / Cdn $				
Less than 1 year	**$ 124.1**	**0.6981**	$ 122.6	0.6898
Between 1 and 3 years	**115.6**	**0.6526**	161.3	0.7008
Euro / $				
Less than 1 year	**23.3**	**0.9155**	14.0	1.0633
Between 1 and 3 years	**–**	**–**	2.1	0.9033
SEK / $				
Less than 1 year	**19.6**	**10.5615**	16.2	9.6400
GBP / Euro				
Less than 1 year	**13.3**	**0.6238**	40.8	0.6074
Between 1 and 3 years	**–**	**–**	2.2	0.6222
Other				
Less than 1 year	**39.8**	**–**	27.0	–
Between 1 and 3 years	**–**	**–**	0.4	–
	$ 335.7		$ 386.6	

[2] Transactions in foreign currencies translated into dollars using the closing exchange rate as at December 31, 2001 and 2000.

17. Financial instruments and concentrations of credit risk (cont'd)

(b) Foreign exchange risk management (cont'd)

Cross-currency interest rate swaps

	2001		2000	
Currencies (sold / bought)	**Notional amounts [(1)]**	**Average rate**	Notional amounts [(1)]	Average rate
Euro / $				
Less than 1 year	**$ 51.1**	**1.1151**	$ 88.6	1.0551
Between 1 and 3 years	**81.7**	**1.1144**	25.5	1.1355
SEK / $				
Less than 1 year	**15.2**	**9.8450**	18.4	8.1650
Between 1 and 2 years	**14.2**	**10.5600**	15.2	9.8450
	$ 162.2		$ 147.7	

(1) Transactions in foreign currencies translated into dollars using the closing exchange rate as at December 31, 2001 and 2000.

(c) Interest rate risk management

The Company has entered into interest rate swaps to manage its interest rate exposure. The Company is committed to exchange, at specific intervals, the difference between the fixed and floating interest rate calculated by reference to the notional amounts.

The amounts of outstanding contracts at year-end, presented by currency, are included in the table below:

Maturity	Notional amount	Pay/Receive	Fixed Rate	Floating Rate
$				
Less than 1 year	$350.0	Company pay fixed/ receive floating	1.96 - 3.03%	Libor 1 month
Between 1 and 5 years	$283.0	Company pay fixed/ receive floating	5.20 - 7.20%	Libor 3 months plus 0% - 1.36%
Between 4 and 6 years	$250.0	Company pay floating/ receive fixed	7.20 - 7.25%	Libor 3 months plus 2.15% - 2.18%
Cdn $				
Less than 1 year	Cdn$ 170.0	Company pay fixed/ receive floating	4.33 - 4.48%	Banker's acceptance 1 month
€				
Between 1 and 2 years	€3.4	Company pay fixed/ receive floating	5.75%	Euribor 3 months

(d) Commodity risk

The Company has entered into a commodity swap to manage a portion of its Canadian natural gas exposure. The Company is committed to exchange, on a monthly basis, the difference between a fixed price and a floating Canadian natural gas price index on a notional quantity of 1,293,000 gigajoules in total for 2002 and 2003.

(e) Credit risk

The Company is exposed to credit losses resulting from defaults by counterparties when using financial instruments.

When the Company enters into derivative financial instruments, the counterparties are international and Canadian banks having a minimum credit rating of A- by Standard & Poor's or of A3 by Moody's and are subject to concentration limits. The Company does not foresee any failure by the counterparties in meeting their obligations.

17. Financial instruments and concentrations of credit risk (cont'd)

(e) Credit risk (cont'd)

The Company, in the normal course of business, continuously monitors the financial condition of its customers and reviews the credit history of each new customer. At December 31, 2001, no customer balance represents a significant portion of the Company's consolidated trade receivables. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and other information on the state of the economy.

The Company believes that the product and geographic diversity of its customer base is instrumental in reducing its credit risk, as well as the impact on the Company of fluctuations in local market or product-line demand. The Company has long-term contracts with most of its largest customers. These contracts usually include price adjustment clauses based on the cost of paper, ink and labor. The Company does not believe that it is exposed to an unusual level of customer credit risk.

18. Commitments and contingencies

(a) Leases

The Company rents premises and equipment under operating leases which expire at various dates up to 2014 and for which minimum lease payments total $432.2 million.

Annual minimum payments under these leases are as follows:

2002	$ 83.6
2003	76.7
2004	61.6
2005	64.5
2006	46.2
2007 and thereafter	99.6

Rental expenses for operating leases were $83.0 million, $102.8 million and $64.0 million for the years 2001, 2000 and 1999.

(b) Equipment

As at December 31, 2001, the Company had commitments to purchase equipment for a total value of approximately $17.7 million.

(c) Environment

The Company is subject to various laws, regulations and government policies principally in North America and Europe, relating to health and safety, to the generation, storage, transportation, disposal and environmental emissions of various substances, and to environment protection in general. The Company believes it is in compliance with such laws, regulations and government policies, in all material respects. Furthermore, the Company does not anticipate that maintaining compliance with such environmental statutes will have a material adverse effect upon the Company's competitive or consolidated financial position.

(d) Business acquisitions

On September 27, 2001, the Company signed a binding agreement pending regulatory approval to purchase the European printing assets of Hachette Filipacchi Medias. The transaction should amount to approximately $60 million in cash and assumption of debt.

19. Related party transactions

The Company entered into the following transactions, at prices and conditions prevailing on the market, with related parties and were accounted for the amount of cash consideration:

	2001	2000	1999
Revenues	**$ 32.0**	$ 19.0	$ 17.3
Purchases	**15.7**	13.5	24.4
Interest income	**–**	–	(0.1)
Management fees charged by Quebecor Inc.	**3.8**	3.6	8.5

19. Related party transactions (cont'd)

For the year ended December 31, 1999, fees charged by Quebecor Inc. included an amount of $6.5 million in connection with the acquisition of WCP and the related issuance of equity as well as management fees charged in the normal course of business.

20. Pension and other postretirement benefits

The Company maintains defined benefit pension plans for its employees. The Company's policy is to maintain its contribution at a level sufficient to cover benefits. Actuarial valuations of the Company's various pension plans were performed during the last three years.

The Company provides postretirement benefits to eligible employees. The costs of these benefits, which are principally health care, are accounted for during employees' active service period.

The following table is based on a September 30th measurement date in 2001 and a December 31st measurement date in 2000. The table provides a reconciliation of the changes in the plans' benefit obligations and fair value of plan assets for the fiscal years ended December 31, 2001 and December 31, 2000 and a statement of the funded status as at December 31, 2001 and December 31, 2000:

	Pension Benefits		Postretirement Benefits	
	2001	2000	**2001**	2000
Change in benefit obligation				
Benefit obligation, beginning of year	**$ 624.4**	$ 573.1	**$ 70.5**	$ 66.3
Change in measurement date	**(26.4)**	–	**1.1**	–
Service cost	**25.0**	21.2	**0.8**	0.7
Interest cost	**48.5**	45.3	**5.4**	5.3
Plan participants' contributions	**4.0**	3.3	**2.0**	0.5
Plan amendments	**5.3**	0.5	**(1.1)**	–
Curtailment loss (gain)	**0.9**	0.3	**(2.4)**	(0.7)
Settlement loss	**–**	0.3	**–**	–
Actuarial loss	**77.7**	25.5	**8.5**	3.7
Change in assumptions	**3.9**	8.6	**0.2**	0.8
Benefits paid	**(40.8)**	(50.4)	**(7.8)**	(6.0)
Settlement paid	**–**	(0.4)	**–**	–
Foreign currency changes	**9.0**	(2.9)	**(0.2)**	(0.1)
Benefit obligation, end of year	**$ 731.5**	$ 624.4	**$ 77.0**	$ 70.5
Change in plan assets				
Fair value of plan assets, beginning of year	**$ 566.0**	$ 553.1	**$ –**	$ –
Change in measurement date	**47.7**	–	**–**	–
Actual return on plan assets	**(123.6)**	44.7	**–**	–
Employer contributions	**17.3**	18.6	**5.8**	5.5
Plan participants' contributions	**4.0**	3.3	**2.0**	0.5
Settlement loss	**–**	–	**–**	–
Settlement paid	**–**	(0.4)	**–**	–
Benefits paid	**(40.8)**	(50.4)	**(7.8)**	(6.0)
Foreign currency changes	**11.3**	(2.9)	**–**	–
Fair value of plan assets, end of year	**$ 481.9**	$ 566.0	**$ –**	$ –

20. Pension and other postretirement benefits (cont'd)

	Pension Benefits 2001	Pension Benefits 2000	Postretirement Benefits 2001	Postretirement Benefits 2000
Reconciliation of funded status				
Funded status	**$ (249.6)**	$ (58.4)	**$ (77.0)**	$ (70.5)
Unrecognized net transition asset	**(5.4)**	(4.2)	**–**	–
Unrecognized prior service cost	**7.0**	2.6	**(0.6)**	–
Unrecognized actuarial loss	**194.0**	4.7	**7.7**	1.3
Adjustment for fourth quarter contributions	**4.2**	–	**1.4**	–
Valuation allowance	**(0.1)**	(1.1)	**–**	–
Net amount recognized	**$ (49.9)**	$ (56.4)	**$ (68.5)**	$ (69.2)

Included in the above benefit obligation and fair value of plan assets at year-end are the following amounts in respect of plans that are not fully funded:

	Pension Benefits 2001	Pension Benefits 2000	Postretirement Benefits 2001	Postretirement Benefits 2000
Benefit obligation	**$ (719.1)**	$ (446.9)	**$ (77.0)**	$ (70.5)
Fair value of plan assets	**467.6**	342.3	**–**	–
Funded status - plan deficit	**$ (251.5)**	$ (104.6)	**$ (77.0)**	$ (70.5)

The following table provides the amounts recognized in the consolidated balance sheets:

	Pension Benefits 2001	Pension Benefits 2000	Postretirement Benefits 2001	Postretirement Benefits 2000
Accrued benefit liability	**$ (74.2)**	$ (86.3)	**$ (68.5)**	$ (69.2)
Prepaid benefit costs	**24.3**	29.9	**–**	–
Net amount recognized	**$ (49.9)**	$ (56.4)	**$ (68.5)**	$ (69.2)

20. Pension and other postretirement benefits (cont'd)

The following table provides the components of net periodic benefit cost:

	Pension Benefits			Postretirement Benefits		
	2001	2000	1999	**2001**	2000	1999
Service cost	**$ 25.0**	$ 21.2	$ 19.9	**$ 0.8**	$ 0.7	$ 0.7
Interest cost	**48.5**	45.3	32.6	**5.4**	5.3	3.3
Expected return on plan assets	**(58.1)**	(53.8)	(34.7)	**–**	–	–
Amortization of transitional assets	**(0.6)**	(0.5)	(0.3)	**–**	–	–
Amortization of prior service cost	**0.3**	0.3	0.2	**(0.4)**	–	–
Amortization of actuarial (gain) loss	**(0.9)**	(1.8)	0.4	**–**	–	0.1
Curtailment loss (gain)	**0.9**	–	1.6	**(0.4)**	(0.5)	–
Valuation allowance	**(0.9)**	(3.0)	4.1	**–**	–	–
Net periodic cost	**$ 14.2**	$ 7.7	$ 23.8	**$ 5.4**	$ 5.5	$ 4.1

The weighted average assumptions used in the measurement of the Company's benefit obligation are as follows:

	Pension Benefits			Postretirement Benefits		
	2001	2000	1999	**2001**	2000	1999
Discount rate	**7.0%**	7.7%	7.9%	**7.2%**	7.7%	7.9%
Expected return on plan assets	**9.7%**	9.7%	9.2%	**–**	–	–
Rate of compensation increase	**3.4%**	3.7%	4.4%	**–**	–	–

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 8.8% at the end of 2001 and the same as 2000 and is expected to decrease gradually to 5.0% in 2008 and remain at that level thereafter. A one percentage point change in assumed health care cost trend would have the following effects:

	Postretirement benefits	
Sensitivity analysis	1% increase	1% decrease
Effect on service and interest costs	$ 0.6	$ (0.5)
Effect on benefit obligation	5.8	(5.2)

21. Significant differences between generally accepted accounting principles in Canada and the United States

The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), which differ in some respects from those applicable in the United States. The following are the significant differences in accounting principles as they pertain to the consolidated statements.

(a) Reconciliation of net income and earnings per share

The application of GAAP in the United States would have the following effects on net income as reported:

	2001	2000	1999
Net income, as reported in the consolidated statements of income per GAAP in Canada	**$ 22.4**	$ 295.4	$ 77.5
Adjustments, net of applicable income taxes			
Employee stock purchase plan in the United States (a) (i)	**0.6**	–	–
Stock option plans (a) (i)	**(0.9)**	–	–
Repurchase of convertible senior subordinated notes (a) (ii)	**–**	(0.8)	–
Business process reengineering costs (a) (iii)	**–**	–	1.0
	(0.3)	(0.8)	1.0
Net income, as adjusted per GAAP in the United States	**$ 22.1**	$ 294.6	$ 78.5
Net income available to holders of preferred shares	**(21.9)**	(10.1)	(10.1)
Net income per GAAP in the United States available to holders of equity shares	**0.2**	284.5	68.4
Income impact on assumed conversion of convertible notes, net of applicable income taxes	**–**	4.5	1.0
Net income per GAAP in the United States adjusted for dilution effect	**$ 0.2**	$ 289.0	$ 69.4
Average number of equity shares outstanding (in millions):			
Basic	**142.2**	147.0	125.4
Diluted	**143.0**	151.7	127.2
Earnings per shares as adjusted per GAAP in the United States			
Basic	**$ –**	$ 1.93	$ 0.55
Diluted	**$ –**	$ 1.90	$ 0.55

21. Significant differences between generally accepted accounting principles in Canada and the United States (cont'd)

(a) Reconciliation of net income and earnings per share (cont'd)

(i) Stock-Based Compensation

Under GAAP in the United States, in accordance with the provisions of SFAS No. 123, "Accounting for stock-based compensation", the Company applies Accounting Principles Board Opinion No. 25, "Accounting for stock issued to employees" (APB 25) and related interpretations in accounting for its employee share plans and stock options plans.

Employee Stock Purchase Plan in the United States:
Under the provisions of APB 25, the Employee Share Plans are accounted for as non-compensatory. There are no similar requirements under GAAP in Canada and the Company's contribution is accounted for as compensation expenses.

Stock option plans:
The Company awarded a special performance grant to certain executives. Under the provisions of APB 25, those grants are accounted for as compensatory. There are no similar requirements under GAAP in Canada.

(ii) Repurchase of convertible senior subordinated notes

Under GAAP in Canada, the equity component of the convertible notes is recorded under shareholders' equity as additional paid-in capital. Regarding the repurchase of convertible notes, the Company is required to allocate the consideration paid on extinguishment to the liability and equity components of the convertible notes based on their fair values at the date of the transaction. The amount of gain (loss) relating to the liability element is recorded to income and the difference between the carrying amount and the amount considered to be settled relating to the conversion option element is treated as an equity transaction. Under GAAP in the United States, the allocation to equity is not required and the gain (loss) is recorded through income in the period of extinguishment.

(iii) Business process reengineering costs

Under GAAP in Canada, certain costs incurred in connection with a consulting contract or an internal project that combines business process reengineering and information technology transformation have been deferred in the consolidated balance sheets under the items "Other assets" or " Property, plant and equipment" and amortized over periods varying from three to five years. Under GAAP in the United States effective in 1997, these costs should be expensed as incurred.

(iv) Presentation of restructuring and other charges

United States GAAP requires that restructuring and other charges be included in the determination of operating income and does not permit the disclosure of a subtotal of the amount of operating income before these restructuring and other charges. Canadian GAAP permits the disclosure of a subtotal of the amount of operating income before restructuring and other charges referred to above.

(v) Presentation of goodwill amortization

Under GAAP in Canada, goodwill amortization is presented, net of related income taxes, and is excluded from the calculation of operating income. Under GAAP in the United States, goodwill amortization is included in the computation of operating income and is presented as an operating expense.

21. Significant differences between generally accepted accounting principles in Canada and the United States (cont'd)

(b) Effect on consolidated balance sheets

The application of GAAP in the United States would have the following effects on the consolidated balance sheets, as reported:

	2001		2000	
	Canada	United States	Canada	United States
Assets				
Deferred income taxes (b) (i)	$ **58.0**	$ **68.6**	$ 58.1	$ 58.1
Prepaid expenses (b) (i)	**24.1**	**27.1**	26.0	26.0
Other assets (b) (ii)	**132.0**	**134.0**	156.9	156.9
Liabilities and Shareholders' Equity				
Accrued liabilities (b) (i)	**561.2**	**592.1**	522.9	522.9
Deferred income taxes (b) (i) (ii)	**234.0**	**207.4**	326.1	326.1
Other liabilities (b) (ii)	**245.6**	**319.2**	290.8	290.8
Convertible Notes (a) (ii)	**113.3**	**129.1**	105.9	121.8
Additional paid-in capital (a) (i) (ii)	**104.6**	**89.3**	104.6	88.8
Translation adjustment (c)	**(146.5)**	**–**	(132.2)	–
Accumulated other comprehensive income (loss) (b) (i) (ii)	**–**	**(209.0)**	–	(132.2)

(i) Accounting for derivative instruments and hedging activities

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended (SFAS 133). SFAS 133 establishes accounting and reporting standards for derivative instruments and hedging activities and requires that all derivatives be recorded as either assets or liabilities in the balance sheet at fair value. The Company recorded the cumulative effect of change in other comprehensive income (loss) upon the adoption of SFAS 133.

The Company utilizes forward exchange currency contracts, interest rate and commodity SWAP to enhance its ability to manage risk relating to cash flow exposure. The Company does not enter into contracts for speculative purposes. On the earlier of the date into which the derivative contract is entered or the date of transition, the Company designates the derivative as a hedge. Changes in the derivative fair values of contracts that are designated effective and qualify as cash flow hedges are deferred and recorded as a component of accumulated other comprehensive income (loss) until the underlying transaction is recorded in earnings. When the hedged item affects earnings, gains or losses are reclassified from accumulated other comprehensive income (loss) to the consolidated statement of income on the same line as the underlying transaction. The ineffective portion of a hedging derivative's change in fair value is recognized immediately in earnings.

Under GAAP in Canada, derivative financial instruments are accounted for on an accrual basis. Realized and unrealized gains and losses are deferred and recognized in income in the same period and in the same financial statement category as the income or expense arising from the corresponding hedged positions.

21. Significant differences between generally accepted accounting principles in Canada and the United States (cont'd)

(b) Effect on consolidated balance sheets (cont'd)

(ii) Pension and Postretirement plans

GAAP in the United States requires recognition of an additional minimum liability when the accumulated benefit obligation exceeds the fair value of plan assets. If an additional minimum liability is recognized, a portion is recognized as an intangible asset up to the amount of unrecognized prior service cost and the excess is recognized in a separate component in the other comprehensible income, net of tax benefits. Under GAAP in Canada, such adjustment is not required.

(c) Comprehensive income (loss)

Moreover, the application of GAAP in the United States requires the disclosure of comprehensive income (loss) in a separate financial statement, which includes the net income as well as revenues, charges, gains and losses recorded directly to equity.

	2001	2000	1999
Net income, as adjusted per GAAP in the United States	**$ 22.1**	$ 294.6	$ 78.5
Cumulative effect of change in accounting principle, net of income taxes of $3.3 (b) (i)	**(6.3)**	–	–
Loss on hedging activities, net of income taxes of $6.3 (b) (i)	**(12.0)**	–	–
Additional minimum liability, net of income taxes of $27.4 (b) (ii)	**(44.2)**	–	–
Currency translation adjustment	**(14.3)**	(37.1)	(43.2)
Other comprehensive income (loss)	**(76.8)**	(37.1)	(43.2)
Comprehensive income (loss) as per GAAP in the United States	**$ (54.7)**	$ 257.5	$ 35.3

22. Segment disclosure

The Company operates in the printing industry. Its business groups are located in three main segments: North America, Europe and Latin America. In prior years, Canada and the United States were considered as separate reportable segments. Segment information for these periods has been restated to conform with the current year's presentation.

These segments are managed separately, since they all require specific market strategies. The Company assesses the performance of each segment based on operating income before restructuring and other charges.

22. Segment disclosure (cont'd)

Accounting policies relating to each segment are identical to those used for the purposes of the consolidated financial statements. Intersegment sales are made at fair market value, which approximate those prevailing on the markets serviced. Management of financial expenses and income tax expense is centralized and, consequently, these expenses are not allocated among these segments.

	North America (1)	Europe	Latin America	Other	Inter-segment	Total
Revenues						
2001	**$ 5,268.1**	**$ 891.3**	**$ 161.4**	**$ –**	**$ (0.7)**	**$ 6,320.1**
2000	5,518.9	890.4	112.0	–	(0.2)	6,521.1
1999	3,910.1	944.9	95.8	–	1.7	4,952.5
Depreciation and amortization						
2001	**277.9**	**50.7**	**8.2**	**1.0**	**–**	**337.8**
2000	289.0	48.8	5.6	1.7	–	345.1
1999	225.6	53.0	5.9	1.5	–	286.0
Operating income before restructuring and other charges						
2001	**564.3**	**53.9**	**10.4**	**(10.8)**	**–**	**617.8**
2000	628.0	61.1	6.5	29.2	–	724.8
1999	384.8	68.1	7.6	12.0	–	472.5
Goodwill amortization, net of income taxes						
2001	**55.7**	**5.4**	**0.5**	**(0.2)**	**–**	**61.4**
2000	51.0	9.1	0.4	–	–	60.5
1999	25.3	5.9	0.3	0.2	–	31.7
Additions to property, plant and equipment						
2001	**180.6**	**43.3**	**40.8**	**13.6**	**–**	**278.3**
2000	198.7	27.5	12.0	4.0	–	242.2
1999	143.4	46.3	4.4	0.6	–	194.7
Property, plant and equipment						
2001	**2,138.7**	**389.1**	**110.5**	**(4.3)**	**–**	**2,634.0**
2000	2,238.2	399.1	51.0	(5.3)	–	2,683.0
Goodwill						
2001	**2,191.4**	**270.8**	**18.4**	**(9.9)**	**–**	**2,470.7**
2000	2,162.0	294.4	14.0	(10.9)	–	2,459.5
Total assets						
2001	**5,009.3**	**803.9**	**248.9**	**87.8**	**–**	**6,149.9**
2000	5,268.6	985.4	144.6	86.1	–	6,484.7

(1) Includes Revenues amounting to $ 1,096.9 million ($1,049.8 million in 2000 and $972.4 million in 1999), Property, plant and equipment amounting to $324.7 million ($340.4 million in 2000) and Goodwill amounting to $32.0 million ($35.0 million in 2000) for Canada.

22. Segment disclosure (cont'd)

The Company carries out international commercial printing operations, and offers to its customers a broad range of printed products and related communication services, such as magazines, retail inserts, catalogs, specialty printing and direct mail, books, directories, pre-media, logistics, and other value-added services.

Revenues per product are as follows:

	2001		2000		1999	
Magazines	$ **1,660.2**	**26.2 %**	$ 1,817.1	27.9 %	$ 1,463.9	29.6 %
Retail inserts	**1,306.8**	**20.7**	1,168.1	17.9	1,041.5	21.0
Catalogs	**1,054.9**	**16.7**	1,065.8	16.3	770.5	15.6
Specialty printing and direct mail	**790.4**	**12.5**	920.5	14.1	530.7	10.7
Books	**718.0**	**11.4**	790.9	12.1	634.4	12.8
Directories	**404.0**	**6.4**	352.9	5.4	234.4	4.7
Pre-media, logistics and other value-added services	**385.8**	**6.1**	405.8	6.3	277.1	5.6
	$ **6,320.1**	**100.0 %**	$ 6,521.1	100.0 %	$ 4,952.5	100.0 %

The Company's operations are managed by eight distinct business groups. Each business group is accountable primarily for one product, group of products or geographic region.

Revenues per business groups are as follows:

	2001		2000		1999	
Magazines & Catalog	$ **1,771.9**	**28.0 %**	$ 2,004.9	30.7 %	$ 1,348.5	27.2 %
Retail	**1,117.7**	**17.7**	959.3	14.7	826.4	16.7
Commercial & Direct	**864.8**	**13.7**	999.1	15.3	543.0	11.0
Book	**513.4**	**8.1**	596.5	9.1	455.6	9.2
Directory	**465.5**	**7.4**	427.0	6.5	257.4	5.2
Other revenues	**534.1**	**8.5**	531.9	8.3	480.9	9.7
Europe	**891.3**	**14.1**	890.4	13.7	944.9	19.1
Latin America	**161.4**	**2.5**	112.0	1.7	95.8	1.9
	$ **6,320.1**	**100.0 %**	$ 6,521.1	100.0 %	$ 4,952.5	100.0 %

FIVE YEAR FINANCIAL SUMMARY

(In millions of US dollars, except per share date & other statistics)

	2001	2000	1999	1998	1997
Consolidated Results					
Revenues	**6,320.1**	6,521.1	4,952.5	3,808.2	3,483.2
Operating income before amortization*	**955.6**	1,069.9	758.5	540.9	479.1
Operating income*	**617.8**	724.8	472.5	317.1	278.3
Net income	**22.4**	295.4	77.5	159.7	131.0
Cash provided from operating activities	**576.5**	917.8	710.1	413.9	317.3
Free cash flow from operations**	**287.2**	747.3	552.6	124.8	(0.8)
Operating margin before amortization*	**15.1 %**	16.4 %	15.3 %	14.2 %	13.8 %
Operating margin*	**9.8 %**	11.1 %	9.5 %	8.3 %	8.0 %
Financial Position					
Working capital	**(194.5)**	(66.5)	72.5	248.3	223.6
Property, plant and equipment	**2,634.0**	2,683.0	2,895.3	2,222.0	2,072.9
Total assets	**6,149.9**	6,484.7	6,873.1	3,906.3	3,542.7
Long-term debt (including convertible notes)	**2,132.2**	2,208.7	2,839.9	1,250.2	1,025.3
First Preferred Shares	**456.6**	212.5	212.5	212.5	212.5
Equity Multiple and Subordinate Voting Shares	**1,336.7**	1,418.7	1,441.3	685.6	683.5
Debt-to-Capitalization	**46:54**	47:53	55:45	44:56	42:58
Per Share Data					
Earnings before Goodwill amortization (diluted)*	**1.99**	2.30	1.80	1.44	1.22
Dividends	**0.46**	0.33	0.28	0.24	0.22
Book value	**14.39**	15.47	14.26	11.67	10.58
Market price - TSE close in CDN$	**35.88**	37.60	32.25	33.18	24.10
Market price - NYSE close	**22.56**	25.19	21.94	21.15	16.54
Other statistics					
Capital expenditures (in million of US dollars)	**278.3**	242.2	194.7	312.1	316.7
Average number of employees	**40,000**	43,000	40,000	28,000	27,000
Return on capital employed	**17.9 %**	19.5 %	19.0 %	18.5 %	18.7 %

* Before restructuring and other special charges.

** Cash provided from operating activities, less capital expenditures net of proceeds from disposals, and preferred share dividends.

SELECTED QUARTERLY FINANCIAL DATA

(In thousands of US dollars, except per share amounts)

	2001					2000	
	First	Second	Third	Fourth	Year	First	Second
Consolidated Results							
Revenues	$ 1,576.7	$ 1,502.3	$ 1,625.2	$ 1,615.9	$ 6,320.1	$ 1,630.4	$ 1,549.1
Operating income before amortization*	219.2	243.0	258.5	234.9	955.6	231.7	255.9
Operating income*	136.4	159.0	172.7	149.7	617.8	138.2	167.7
Net income	42.5	63.2	70.8	(154.1)	22.4	37.6	62.8
Cash provided from operating activities	(153.5)	277.2	12.1	440.7	576.5	72.6	216.9
Free cash flow from operations**	(218.6)	178.9	(58.2)	385.1	287.2	42.9	163.0
Operating margin before amortization*	13.9 %	16.2 %	15.9 %	14.5 %	15.1 %	14.2 %	16.5 %
Operating margin*	8.7 %	10.6 %	10.6 %	9.3 %	9.8 %	8.5 %	10.8 %
Segmented Information							
Revenues							
North America	$ 1,315.6	$ 1,252.5	$ 1,373.4	$ 1,326.6	$ 5,268.1	$ 1,377.7	$ 1,304.8
Europe	227.1	213.3	211.5	239.4	891.3	227.3	217.9
Latin America	34.2	36.6	40.5	50.1	161.4	25.5	26.2
Operating income*							
North America	125.0	139.0	163.0	137.3	564.3	119.6	145.4
Europe	12.8	16.3	9.7	15.1	53.9	13.4	14.9
Latin America	1.9	2.4	1.2	4.9	10.4	1.7	1.2
Operating margins*							
North America	9.5 %	11.1 %	11.9 %	10.3 %	10.7 %	8.7 %	11.1 %
Europe	5.6 %	7.6 %	4.6 %	6.3 %	6.1 %	5.9 %	6.8 %
Latin America	5.6 %	6.6 %	2.9 %	9.9 %	6.5 %	6.7 %	4.7 %
Per Share Data							
Earnings before goodwill amortization (diluted)*	$ 0.38	$ 0.51	$ 0.57	$ 0.55	$ 1.99	$ 0.35	$ 0.51
Dividends	$ 0.10	$ 0.12	$ 0.12	$ 0.12	$ 0.46	$ 0.07	$ 0.08

* Before restructuring and other special charges.

** Cash provided from operating activities, less capital expenditures net of proceeds from disposals, and preferred share dividends.

2000			1999				
Third	Fourth	Year	First	Second	Third	Fourth	Year
$ 1,633.8	$ 1,707.8	$ 6,521.1	$ 910.5	$ 944.3	$ 1,257.1	$ 1,840.6	$ 4,952.5
286.7	295.6	1,069.9	113.8	145.1	199.4	300.2	758.5
202.4	216.5	724.8	56.5	85.7	126.8	203.5	472.5
88.7	106.3	295.4	23.2	45.3	54.7	(45.7)	77.5
17.5	610.8	917.8	69.0	164.4	202.9	273.8	710.1
0.1	541.3	747.3	38.1	125.6	180.2	208.7	552.6
17.5 %	17.3 %	16.4 %	12.5 %	15.4 %	15.9 %	16.3 %	15.3 %
12.4 %	12.7 %	11.1 %	6.2 %	9.1 %	10.1 %	11.0 %	9.5 %
$ 1,398.4	$ 1,438.0	$ 5,518.9	$ 685.7	$ 701.8	$ 996.8	$ 1,525.8	$ 3,910.1
208.9	236.3	890.4	203.1	219.3	238.0	284.5	944.9
26.7	33.6	112.0	21.6	22.8	21.8	29.6	95.8
175.9	187.1	628.0	40.5	66.4	111.3	166.6	384.8
13.9	18.9	61.1	11.5	16.0	14.7	25.9	68.1
0.7	2,9	6.5	2.9	1.5	0.7	2.5	7.6
12.6 %	13.0 %	11.4 %	5.9 %	9.5 %	11.2 %	10.9 %	9.8 %
6.7 %	8.0 %	6.9 %	5.7 %	7.3 %	6.2 %	9.1 %	7.2 %
2.5 %	8.6 %	5.8 %	13.4 %	6.6 %	3.4 %	8.2 %	7.9 %
$ 0.68	$ 0.77	$ 2.30	$ 0.21	$ 0.41	$ 0.49	$ 0.69	$ 1.80
$ 0.08	$ 0.10	$ 0.33	$ 0.07	$ 0.07	$ 0.07	$ 0.07	$ 0.28

SHAREHOLDER INFORMATION

Stock Listing
Quebecor World Inc. Subordinate Voting Shares are listed on the New York Stock Exchange and on the Toronto Stock Exchange under the symbol IQW.

Annual Meeting
The Annual Meeting of Shareholders will be held at: 10:00 am on April 3rd, 2002 at:
Le Windsor,
1170 Peel Street,
Montreal, Quebec

Annual Information Form
The Annual Information Form may be obtained by writing to:
Corporate Secretary
Quebecor World Inc.
612 St. Jacques Street
Montreal, Quebec
H3C 4M8

Transfer Agent & Registrar
Montreal Trust Company
Place Montreal Trust
1800 McGill College
Montreal, Quebec
H3A 3K9

Co-Transfer Agents
American Securities Transfer & Trust Inc.
Denver, Colorado

Auditors
KPMG LLP

Vous pouvez vous procurer une version française de ce rapport annuel en vous adressant à :

Quebecor World Inc.
612, rue Saint-Jacques
Montréal (Québec)
H3C 4M8

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